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Gulf War: 'Final offensive' runs into the sand, Page 5

World news

Afrikaner opposition to Botha grows

Opposition by Afrikaners to South Africa's Botha Government grew at the weekend with the resignation of a prominent newspaper editor and a manifesto of dissent signed by 28 influential academics.

Both developments underscore the growing belief among elite Afrikaners that the ruling National Party is unable to introduce real reform under the leadership of P. W. Botha. Page 3

An opinion poll ahead of the whites-only general election on May 6 put pro-reform candidate Dr Denis Worrall almost level with cabinet minister Chris Heunis in his constituency.

Iran arms decision

The US Senate committee investigating the Iran arms scandal is expected to decide this week whether to grant limited immunity to Lt Col Oliver North and Vice Admiral John Poindexter, the two main figures. Page 2

Israel defers debate

Israel's Cabinet deferred a potentially damaging debate on who was to blame for the Pollard spy affair which has badly shaken the country's close relations with the US. Page 3

Punjab tension rises

Tension in India's Punjab state rose after Sikh separatists killed a policeman inside the Golden Temple in the holy city of Amritsar. Page 3

Pro-Syrian protest

A woman was shot in the head and nine policemen were injured when hundreds of Druze attacked Israeli police during a pro-Syrian demonstration on the Golan Heights.

Sri Lanka deaths

Nine Tamil separatists were killed and about 10 hurt in the rebel stronghold of Jaffna when Sri Lankan forces returned fire after a mortar attack, Colombo said.

Kohl expects accord

West German Chancellor Helmut Kohl says in an interview published in Bonn today that he expects Washington and Moscow to agree this year to abolish medium-range nuclear missiles in Europe.

Spain hit by strikes

Spain faces a wave of strikes this week as farmers, doctors, students and industrial workers hold stoppages to protest at the Socialist Government's austerity policies.

Kurds raid village

Kurdish rebels, whose hideouts in Iraq were bombed by the Turkish air force last week, struck back by raiding a village in south-east Turkey and killing eight civilians

Fast called off

Eleven hunger-striking mothers of Soviet Jews who have been denied exit visas ended their fast in Jerusalem after five days when three collapsed outside the Israeli Prime Minister's office.

Rail crash kills nine

Nine people were killed and 36 injured when part of a train bound for Diredawa, Ethiopia, left the track in southern Djibouti.

Indians die in clash

Two South African Indian men died after about 200 men with knives and sticks attacked 30 people at a religious service near Johannesburg.

Istanbul snowbound

At least 1,000 Turkish villages were cut off by snow and Istanbul was brought to a halt after snowfalls up to a meter deep.

Drug case appeal

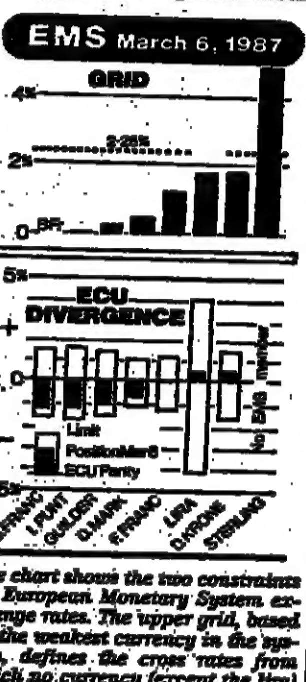
The lawyer of Briton Derrick Gregory, sentenced to hang by Malaysia's Supreme Court for drug smuggling, said he would file a notice of appeal today.

Business summary

Courtaulds may buy Du Pont division

COURTAULDS, British textiles group, was believed to be considering making an offer for the acrylic fibre division of Du Pont, American chemicals group. Page 18

EUROPEAN Monetary System: The strength of sterling depressed the stronger members of the EMS last week. Both the D-Mark and the Dutch guilder lost ground. Although not a member of the exchange rate mechanism, sterling has an 11 per cent weighting in the Ecu basket and the attraction of high UK interest rates prompted a switch from D-Marks to sterling. Other currencies were also affected and the Belgian franc was placed as the weakest member at 59 per cent of its maximum divergence spread compared with 39 per cent the previous week.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

TWA, which is controlled by Carl Icahn, a leading corporate raider, has had its application to take over USAir, the country's 11th largest carrier, rejected by two US Government agencies. Page 19

TORONTO-DOMINION Bank has become the first bank to announce plans for acquiring a trading seat on the Canadian stock exchange in advance of the anticipated entry of banks into the domestic securities industry on June 30. Page 19

RONALD PERELMAN, one of the most active US corporate raiders last year, is weighing up a $720m bid for the majority stake in Revlon, the cosmetics group where he won a strategic interest in late 1985 after a long battle. Page 19

CANADIAN gold producer American Barrick Resources disposed of part of the controversial 4.9 per cent stake which it bought in the international mining group Consolidated Gold Fields last autumn. Page 24

FRENCH Government has fixed a price of FFr 125 a share for the privatisation of Sogenal, valuing the regional bank group at FFr 1.6bn ($261m). Page 22

PLESSEY, UK electronics group, is expected to announce first significant overseas order for Britain's System X digital telephone exchange within next few days. Page 18

AMAX, large but struggling US mining group, has agreed the A$248.4m (US$168.5m) disposal of its holding in Australian Consolidated Minerals, the Perth-based gold explorer and producer. Page 31

SIME DARBY, Malaysia's largest non-oil company, reported a 22 per cent drop in pre-tax profits to 77.3m ringgit ($30.9m) for the first half to December last year. Page 22

HEINEKEN, Dutch beer brewery, reported its earnings rose a relatively modest 7½ per cent to Fl 285.3m ($137m) last year from Fl 265.5m in 1985 as the lower dollar pressured results. Page 22

Ferry death toll put at 135 as three inquiries seek cause

BY KEVIN BROWN AND PETER MARSH IN LONDON AND TIM DICKSON AND WILLIAM DAWKINS IN ZEEBRUGGE

THREE separate investigations were under way in Zeebrugge in Belgium yesterday into the sinking of the Townsend Thoresen vehicle ferry Herald of Free Enterprise, in which more than 130 people are feared to have died.

As the investigators begin the grim task of interviewing survivors and examining the wreckage there was still no indication of what caused the 7,950 gross tons ferry to capsize only half a mile from port.

The final death toll appeared likely to be 135, making the accident the worst maritime disaster since the Soviet liner Admiral Nakhimov sank with the loss of almost 400 lives last September.

Townsend Thoresen said 408 people had survived, including 42 of the 80 crew, but 53 were confirmed dead and 82 missing.

The last hope that more people would be brought out alive vanished during the day when divers called off the search.

Mr Peter Ford, chairman of European Ferries, the subsidiary of P&O which operates the Townsend Thoresen fleet, confirmed that the Herald had taken in a large amount of water at the bow.

Mr Ford declined to comment, however, on whether the bow doors were open when the ship capsized.

Clues to the mystery were being sought by marine surveyors from the British Department of Transport, and Townsend Thoresen's technical department.

In addition, the regional court of nearby Bruges appointed an examining magistrate to carry out a separate investigation.

Mr John Moore, British Transport Secretary, said a formal public inquiry would be convened later in London.

It was not clear whether the different inquiries would co-operate, or whether separate reports would be produced in the UK and Belgium.

Key witnesses will include Captain David Lewry, master of the ship, who is recovering in a Belgian hospital from a punctured lung.

Meanwhile, Smit Tak International, a Dutch-based marine group, has been appointed to salvage the ship, which Townsend Thoresen said would be brought back into service if possible.

A net was draped over the bows of the ship after the company said it might have been carrying an unidentified hazardous cargo.

Two drums were seen floating in the sea, and Mr Herman de Croo, the Belgian Transport Minister, said his Government was concerned by the potential dangers of pollution.

One report said two lorries on the ship were carrying 111 drums of cyanide-based chemicals, but this was not confirmed by the company.

Townsend Thoresen said there was no cause for concern about the design of its ships. All its roll-on roll-off ferries were working normally yesterday, including two sister ships identical to the Herald of Free Enterprise.

Mr John Prescott, a former seaman who is a member of the Labour's opposition shadow cabinet, said it was up to Parliament to ensure that safety was put before commercial considerations.

Mr Prescott said ferries had a good safety record, but slackness appeared to have crept into procedures.

"It is about time we looked very seriously at these kinds of disasters and ask whether we are prepared to tolerate the commercial advantage that comes from this design," he said.

Confusion descends, Page 2; Inescapable questions, Page 16

Manila launches deal on debt ahead of rescheduling talks

BY ANATOLE KALETSKY IN NEW YORK

THE Philippines has offered international banks a new kind of financial instrument, based on the concept of swapping debt into equity, in an unusual attempt to make a breakthrough in what had promised to be one of the toughest negotiations in the present round of Third World debt reschedulings.

Mr Jaime Ongpin, the Philippines' Finance Minister, is offering banks the option of converting part of their interest payments into Philippine Investment Notes or pins. Those banks which took up this option would receive in exchange a slightly higher margin than creditors which insisted on cash payment of all their interest.

The difference between the two margins would be quite small and the direct financial implications of the plan for both the banks and the country are limited. The maximum annual issue of pins, if all banks accepted this option, would be around $115m, according to Mr Ongpin.

But the proposal is seen as having important psychological significance for both the banks and the debtor countries. If it is accepted by the banks, it could be seen as a positive signal for other financial innovations designed to ease the debt problem.

It is also being portrayed by Mr Ongpin as a convenient device for sidestepping the bankers' fears that a low interest margin agreed with one debtor country would immediately set a precedent for all other debtors.

If, on the other hand, the new approach is rejected it could lead to a political confrontation which would be particularly awkward for the US banks, because of the strong political support the Philippines Government enjoys in Washington.

The new proposal is designed to meet what Mr Ongpin sees as the essential problem in the Philippine rescheduling. This centres on the margin over the London inter-bank offered rate (Libor) which the country must pay on its rescheduled debts. The Philippines is adamant that it will not pay a rate of more than ⅝ of a percentage point over Libor. This is significantly less than the margin of 13/16 of a point which the banks negotiated with Mexico last year. But Mr Ongpin insists that it is justified by his country's superior economic performance and by the fact that it is asking for no new money.

To make an interest rate of Libor plus ⅝ per cent acceptable to banks, Mr Ongpin is offering them the alternative of a wider margin if they will accept part of the payment in pins. The pins would be dollar-denominated government obligations which could be traded among banks and other investors in the Philippines, presumably at a discount.

Pins would be payable only for the interest margin over Libor. The cost of funds or Libor element of interest payments would continue to be paid in cash to all banks, Mr Ongpin has stressed.

Under the plan, pins would be bought by multinationals and other direct investors who needed Philippine pesos for equity investments in the country. The strong response to a debt-equity conversion programme announced six months ago has created a large demand for pesos among international investors

Thus pins would trade at a discount of less than 20 per cent to their face value, according to Mr Ongpin. As a result, banks which accepted pins would end up with a substantially higher margin than ⅝ over Libor once they sold their pins at a discount in the secondary market.

UK energy specialists to lay off 300 staff

By David Brindle in London

A LONG-ESTABLISHED UK company involved in energy and mineral exploration around the world has become the latest casualty of the oil industry recession.

Hunting Surveys and Consultants, which offered a wide range of specialist services, is scaling down its operations and making almost 300 of its 400 employees redundant.

Most of the staff losing their jobs are highly qualified in relatively narrow fields and the company is taking the unusual step today of appealing for potential employers.

Hunting's personnel manager, Mr David Friend, said an "absolutely unique" team of specialists was being broken up and many might have to seek re-employment overseas.

News of the company's cutbacks comes a week after the Government's preliminary estimates that about 20,000 jobs were lost last year in Britain's offshore and oil-related industries as a result of the sharp decline in oil exploration.

Hunting, based in Borehamwood, Hertfordshire, was founded in 1919 as an aerial photography business. The company was reconstituted in 1946 and transformed into its existing divisional structure in 1965.

Most of the job losses will be in the Hunting Geology and Geophysics and Hunting Surveys divisions, leaving the company's emphasis mainly on the agricultural work of Hunting Technical Services.

The surplus staff include geologists, geophysicists, geographica data processors, land surveyors, hydrographers and cartographers.

Mr Friend, who is also losing his job, said about 200 of those being made redundant were highly qualified, technically and professionally.

Hunting has in recent years relied heavily on exploration contracts funded by international aid agencies. This work has dried up as oil revenues have slumped.

Irish leadership may hinge on a single vote

BY HUGH CARNEGY IN DUBLIN

THE Irish Parliament meets tomorrow to elect a new Prime Minister amid intense speculation over whether Mr Charles Haughey will be able to muster enough support to win office, as was once assumed a formality after last month's general election.

Although the Fianna Fail party, led by Mr Haughey, fell three short of the 84 seats needed for a parliamentary majority, it was first believed by all parties that he would have little difficulty forming a minority government because of divisions among the opposition parties.

The picture has altered greatly since then, however, to the point where Mr Haughey's fate may be decided on the vote of a single independent socialist deputy, Mr Tony Gregory, who has given no clear indication of his intentions.

Things swung against Mr Haughey when the Labour Party, with 12 seats, and the Workers Party, with four, caused a surprise by deciding to vote against him. The 14 New Progressive Democrats and an independent left-winger, Mr Jim Kemmy, also pledged to oppose the Fianna Fail leader. This brought the total opposition to 82, assuming the 51 deputies of the Fine Gael Party, led by outgoing Prime Minister Dr Garret FitzGerald, voted against.

Fianna Fail, having failed to persuade the incumbent Fine Gael speaker (chairman) to stay in office, is expected to offer the speaker's chair to another independent, Mr Sean Tracey. The party can almost certainly count on the support of Mr Neil Blaney, an independent from Donegal.

But Mr Haughey would still need Mr Gregory, a socialist suspicious of Fianna Fail's promises of a tough budget, at least to abstain to squeeze into power on the casting vote of the Speaker.

Mr Charles Haughey

Fianna Fail has stuck by its refusal to do any backroom deals with Mr Gregory of the type struck by Mr Haughey, at considerable cost to his reputation, in similar circumstances in 1982. The party insists that parliament has an obligation to elect Mr Haughey tomorrow because there is no other party leader with any prospect of forming a government.

Intriguingly, the vote would turn out to be a formality after all if Fine Gael, which will not make a decision on the issue until just before the Dail meets in mid-afternoon, abstained. Many senior party figures abhor the idea of facilitating a return to power of their chief political rival. But Dr FitzGerald has acted throughout as though Mr Haughey will be elected, and the party has made much of the urgent need for a new government to tackle the economic difficulties facing the country.

On Friday night, Dr FitzGerald, who arranged special briefings for Mr Haughey over the past two

Continued on Page 18

Marking time on peace, Page 18

Opec members 'face temptations' to ignore price accord

BY RICHARD JOHNS IN LONDON

DIFFERING constraints on members of the Organisation of Petroleum Exporting Countries had created a temptation to ignore decisions on prices and output, according to an analysis of Opec's efforts to maintain rates at around $18 a barrel.

The dangers to the price structure from discrepancies in marketing arrangements among the 13 members are emphasised in a study by Mr Nourdine Ait-Laoussine, president of the Geneva-based consultants Lalcosa.

As much as 60 per cent of Opec members' crude oil sales are not covered by fixed official selling prices. This means they are not regulated by the agreement, in force at the beginning of February, the former vice-president of Algeria's state hydrocarbons corporation, Sonatrach, said in a paper last week in New York to a seminar organised by First Boston Corporation.

The proportion of unregulated sales could be greater because the assessment does not take into account practices such as countertrade deals which members have pledged to phase out, according to Mr Ait-Laoussine, an influential figure in the wings of Opec.

Exports of petroleum products, foreign equity entitlements and crudes not given an official selling price are effectively excluded from the pricing system.

Some members are more favourably placed than those likely to come under pressure to exceed output quotas and give price discounts.

At one extreme there is Iraq, which was not a party to the accord, and at the other there is Qatar, the bulk of whose exports cannot be sold at a disguised discount.

As the pact comes under test, Mr Ait-Laoussine points out, "Qatar is already facing a critical situation" with an alarming slump in orders for its two crude varieties.

Liftings of Saudi Arabian and Iranian oil have been badly affected by the rigid system of differentials which makes their prices relatively expensive.

Saudi Arabia may be forced to become again a "swing producer" – bearing the brunt of lower demand – if it is not already performing that role, the study says.

Mr Ait-Laoussine also warns: "The situation of Iran may also become intolerable." He said Iran could no longer justify discounts because of costs incurred in shipping oil from Kharg Island to Larak terminal out of the range of Iraqi aircraft and high insurance premiums.

By contrast, the latitude allowed Venezuela is accounted for by its large refining capacity and the fact that many of its heavier crudes are not covered by the Opec accord.

Mr Ait-Laoussine, a leading authority on the subject of oil price differentials, believes that "the weakest part of the (Opec) deal is the new pricing system which is confusing, incomplete, too rigid and out-of-date."

In particular, he argues, differentials need to be regularly and frequently adjusted to market realities if member countries, no longer protected by long-term contracts, extend phase-out provisions and steady equity liftings.

Dilemma for US on Pakistan N-weapon

By Lionel Barber in Washington

MOUNTING evidence that Pakistan has developed a nuclear bomb is presenting a serious dilemma for the US, which is publicly opposed to the proliferation of nuclear weapons but which sees Pakistan as an important strategic ally bolstering the anti-Soviet Afghan rebels.

The Reagan Administration is asking Congress to approve a $4bn aid programme over six years for Pakistan, but the Washington Post reported yesterday that senior officials were unwilling to impose restrictions.

American law prohibits foreign aid to any country which imports nuclear technology without agreeing to international safeguards. But Congress agreed to a waiver for Pakistan following the Soviet invasion of Afghanistan in the hope of encouraging aid for the rebels.

Under a 1985 congressional requirement, President Ronald Reagan has to certify annually that Pakistan does not have a nuclear device and that US aid will reduce the risk of it obtaining one.

But in a key speech last February, the US Ambassador to Pakistan, Mr Deane Hinton, said that it was "open to question if the President could so certify were he to conclude that Pakistan had in hand, but not assembled, all the needed components for a nuclear explosive device."

Though overshadowed by the Iran arms scandal, the issue of Pakistan and the bomb presents a potent threat to Reagan

Pakistan defends programme, Page 3

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AFTERMATH OF ZEEBRUGGE DISASTER

Fog of confusion descends on cause of ferry sinking

BY TIM DICKSON IN ZEEBRUGGE

ONLY by peering hard through the mist which enveloped much of the Belgian coastline at the weekend was it possible to make out an outline of a grotesque and tragically unfamiliar shape — the stricken hull of the capsized car ferry, the Herald of Free Enterprise, which lies in about 30 ft of water about a mile from the Zeebrugge harbour.

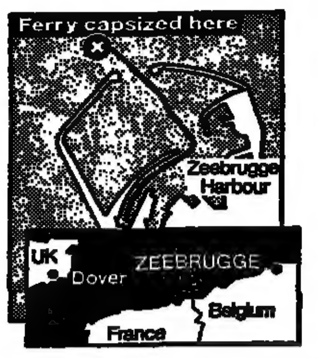
Two days after the disaster, that fog is an appropriate metaphor for investigators, survivors, relatives and journalists baffled as to what went wrong last Friday night.

It also underlines the heavy air of unreality in a town which, in the past two days, has shown few signs of anything untoward and which — seagull stained and landscaped with cranes — is typical of the kind of stark no-man's land through which millions of European sea passengers pass each year on their way to more exotic desinations.

One thing is clear. The rescue operation, launched within seconds of the first alarm, was an heroic international effort which by all accounts saved the lives of many.

Within six minutes of the ferry capsizing, helicopters were hovering over the scene. Within 16 minutes, the first ambulances and medical teams were assembled at the dockside. Within 20 minutes the first survivors were in hospital.

Luck also played its part. Two minesweepers — one British, one West German — were in Zeebrugge on a Nato exercise and were quickly on the scene. A dredger whose crew pulled many survivors from the freezing waters was leaving port and on its way



home when the Herald started its fateful lurch. But no emergency procedures could have been planned for an accident which so far defies explanation.

At the weekend, while the coldly commercial business of awarding the salvage contract was enacted and the torrent of words, informed and less informed, spewed out of journalists' typewriters, the overriding emphasis was on the scale of the human tragedy.

Many Europeans have travelled on a cross-Channel ferry, confident about safety. Anyone with children, moreover, could quickly identify with Mrs Thatcher's moving description of youngsters who could not find their parents, and parents who could not find their children.

The stories of bodies floating among the cases of duty-free drink were as much as the most hardened Fleet Street journalists could report dispassionately.

When all the tears have been forgotten, the cause of the disaster and the lessons which it contains for ferry companies and the sea-going public will be the issues of central concern.

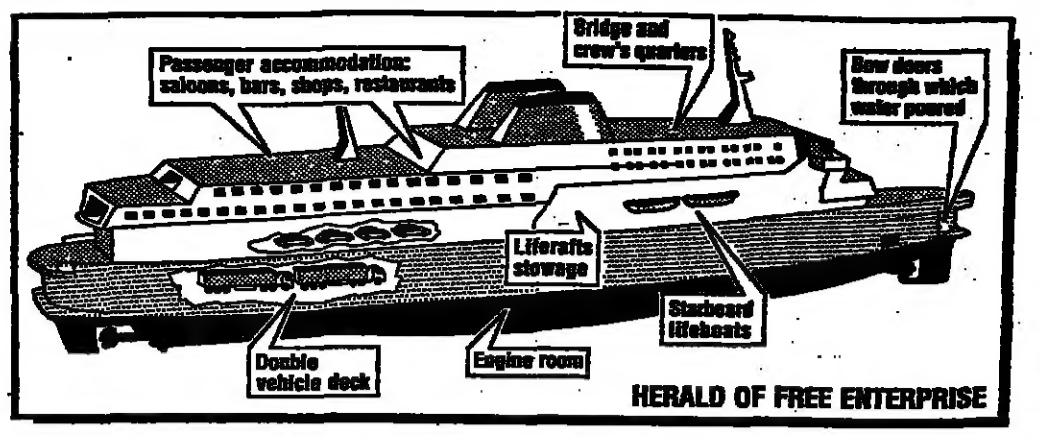
Apart from the fact that water appears to have entered the ship through the bow doors, Townsend Thoresen, the Governor of West Flanders, who has been co-ordinating the rescue, and investigators from Britain and Belgium insist that any theory now is pure speculation.

Townsend Thoresen says it has no reason to believe safety procedures were not carried out but it does admit the doors of car ferries such as the Herald of Free Enterprise are sometimes kept open while the ship is turning in the calm water of a port to allow the fumes from lorries and cars to escape.

A visibly shaking and haunted-looking Mr Peter Ford, chairman of European Ferries, which owns Townsend Thoresen, ruled out any immediate changes in safety procedures and discounted suggestions that, in the absence of any explanation, the Herald of Free Enterprises's two sister ships should be withdrawn from service. That defiance, bound to lay the company open to criticism, is a measure of the widespread disbelief in Zeebrugge at what has happened.

No one, moreover, is promising that any light will quickly be shed on the causes. It could take weeks or even months to right the crippled vessel which, given the confusion of those survivors to have talked so far, could contain the best clues in what are bound to be drawn-out inquiries.

Outwardly, Zeebrugge yesterday bore most of the hallmarks of a Sunday afternoon at the coast—rows of cars and families walking on the beach or along the harbour wall. All eyes, however, were straining sadly through the mist.



Setback for expanding port

BY QUENTIN PEEL IN BRUSSELS

THE TRAGIC sinking of the cross-Channel ferry Herald of Free Enterprise just as it set sail from Zeebrugge is a setback for the image of a long-established port which has invested heavily in recent years to modernise its facilities and expand its share of European and ocean-going traffic.

Less than two years ago, in July, 1985, King Baudouin inaugurated the new port of Zeebrugge, which includes a multipurpose deep water sea port, a large outer harbour to protect very large vessels, and a major liquified natural gas (LNG) terminal.

The cross-Channel passenger ferries which use the port to link the continent to Dover, Felixstowe, Harwich and Hull represent only a modest part of its total traffic, although they carry more than 2m passengers each year.

Freight totalling 14.2m tonnes passed through the port in 1985, of which roughly half was roll on-roll off, and another substnatial proportion container traffic.

The LNG terminal is due to take its first deliveries of gas this month from Algeria. In addition, Zeebrugge will be the continental terminal for the new gas pipeline Zeepipe from the Norwegian Troll and Sleipner fields.

Harbour works are still under way in the large outer port, where two 4,000-metre breakwaters have been constructed—giving rise to the suspicion that the doomed car feyy might have struck debris from the works. Eventually, the outer port will contain new container and ro-ro berths.

The port of Zeebrugge, traditionally the seaport for the medieval city of Bruges, has been very active in promoting its facilities internationally, to compete with neighbouring Antwerp and Rotterdam.

Smit Tak will begin salvage work today

BY WILLIAM DAWKINS IN ZEEBRUGGE

THE JOB of recovering the ship and retrieving the remaining victims was yesterday given to Smit Tak International, the Rotterdam-based marine salvage group.

After two days of complex negotiations in London and Zeebrugge, Smit Tak vessels and floating cranes are expected to start work today.

Some salvage work was ordered to start yesterday afternoon by Townsend Thoresen, but divers were unable to get safely any deeper into the ship.

Smit Tak's main concern will be to right the ferry before searching for bodies, a Townsend spokesman said.

Another urgent job will be to recover 17 drums of chemicals which have broken free from a lorry and are now floating in and around the hold.

Some 35 drums were lifted out by helicopter yesterday morning several of which contained a cyanate-based chemical which, though technically hazardous, does not present a serious risk to people or the environment, rescue authorities said.

The bow of the ship has been covered with netting to stop drums floating away.

Righting the ship could take many weeks or even months depending on the weather, said a Townsend Thorensen spokesman. If possible it will be returned to service after repair.

Steel fixing points may be welded to the ship's side before rolling it upright into a trench dug in the sea bed.

Such a technique was used to recover the European Gateway, another Townsend Thorensen ferry which sank outside Harwich in 1982 following a collision.

However, Smit Tak will not decide exactly what approach to use until it has had a chance to make a thorough investigation of their ship.

Also competing for the salvage contract were Weismuler, a Dutch concern, and Hergings Werken, a Zeebrugge-based consortium of Belgian, Dutch and British operators.

Townsend did not put a figure on the contract which was agreed in principle yesterday afternoon and will be signed by both parties today.

The ferry company said that the final document is likely to be a modified version of the so-called Lloyd's open form, the standard salvage contract.

This guarantees that the salvage group covers its costs, but leaves the profit margin to be worked out between both sides later with the option of going to court if they cannot agree.

However, Townsend Thorensen may wish to include more of a fixed price element in view of the fact that this contract might take an unusually long time to complete.

Senate inquiry may give some immunity to Poindexter, North

BY LIONEL BARBER IN WASHINGTON

THE US Senate select committee investigating the Iran arms scandal is expected to decide this week whether to give limited immunity to the chief protagonists: Lt Col Oliver North and former National Security Adviser Vice Admiral John Poindexter.

Senator Robert Byrd, the Democrat Majority leader, said yesterday that the committee would meet tomorrow to discuss giving limited immunity in order to speed the inquiry.

The Washington Post reported yesterday that Admiral Poindexter—who resigned last November—prepared a legal defence at that time based on allegations that he told President Ronald Reagan on two occasions about the diversion of profits from Iranian arms sales to the Nicaraguan Contra rebels. The newspaper quoted close associates of the admiral who was demoted in rank last week.

In his speech to the nation last week, Mr Reagan, while acknowledging he had made mistakes in his Iran policy, explicitly denied any knowledge of funds being diverted to the Contras. Yesterday, Sen Byrd said such a disclosure would be a "shattering blow to the presidency."

Yesterday's Washington Post report said that the new White House Chief of Staff, Mr Howard Baker, was preparing a broad legal defence for the President, including recruiting outside lawyers.

Byrd—a difficult decision

In the Tower Report — the critical review of the workings of the National Security Council under President Reagan — there is a crucial memorandum dated April 1986 which Col North prepared for the President and which outlines the diversion of funds. The Tower Commission found no evidence that Mr Reagan read or knew of the diversion, but it did not ask him specifically about the memo.

Mr Reagan made no mention of the Iran affair in his weekly radio broadcast to the nation on Saturday. Despite his impression of rejuvenation, Newsweek Magazine reported that 59 per cent of the US public believe that the President was more deeply involved than he has admitted.

Ecuador quake halts oil exports

ECUADOR has been forced to suspend oil exports after an earthquake last week that damaged a pipeline linking its Amazon basin oilfields with the Pacific coast. Reuter reports from Quito.

The disruption to production could last for months and will be a blow to the troubled Ecuadorean economy since oil accounts for up to two-thirds of its exports and 60 per cent of government revenues.

Last year's slide in oil prices led the Government to mar its clean record in servicing its $8.16bn foreign debt in January this year. It has now fallen behind in interest payments—by at least $83m—and officials say that the suspension of oil exports will compound its debt problems.

Mr Javier Espinosa Teran, the Energy Minister, said 25 miles of the pipeline was damaged by the earthquake, which killed at least 18.

The crisis occurred amid an increasingly heated political climate before the presidential and general elections next January to be disputed by 17 political parties.

Dividends resume

EAST ASIATIC, the Danish trading and industrial group, plans to pay to its first dividend for four years with a distribution of 8 per cent.

Announcing this year the company said its net profits for 1986 rose by 30 per cent to DKr 316m ($45.7m) despite lower turnover. Revenue for last year dipped from DKr 16.7bn to DKr 14.2bn.

Nunn suggests escape clause in INF missile treaty

BY OUR WASHINGTON CORRESPONDENT

AN INFLUENTIAL Democrat Senator Mr Sam Nunn yesterday suggested that the planned superpower treaty to eliminate medium-range missiles in Europe should contain a key escape clause.

Senator Nunn said that when both superpowers had eliminated all but 20 to 25 per cent of their medium-range nuclear missiles, the US should invoke a clause halting the staged cuts and allowing it to review the Soviet Union's superiority in conventional and chemical weapons.

Sen Nunn, chairman of the Senate Arms Services Committee, counts as probably the most widely respected arms control expert in the upper chamber. Since any arms control treaty has to be approved by a two-third majority of the US Senate, his views are very important.

Senator Nunn's idea is aimed at allaying fears among the Nato allies in Europe that an agreement to eliminate intermediate nuclear forces (INF) could leave them vulnerable to a Soviet conventional attack. At present, Nato's Pershing missiles—which can strike deep into the Soviet Union are a formidable deterrent to such an attack.

Mr Max Kampelman, the chief US negotiator at the Geneva arms talks, said yesterday that he remained optimistic about the prospect of an INF agreement. He said that the spring of 1988—six months or so before the next presidential election—was the "window of opportunity for an INF agreement."

It is generally assumed that the Soviet Union would find it much easier to get an arms control treaty ratified by the Senate when the established republican Mr Reagan is President, rather than if they had to deal with a newcomer—Democrat or Republican.

Mr Richard Perle, Assistant Secretary of State for Defence and an influential sceptic of arms control agreements, said he believed that the two sides could strike an INF deal which included tough on-site verification that they had indeed eliminated their missiles. "That is fundamental to any agreement. I believe there can be effective verification."

Mr George Shultz, US Secretary of State, who will visit his Soviet counterpart Mr Shevardnadze in mid April in Moscow, said on Saturday that he believes that progress on INF could help talks aimed at reducing strategic nuclear ballistic missiles at the Geneva talks.

At present both sides are considering proposals — outlined at the Reykjavik meeting last year — which would cut strategic missiles by 50 per cent. Verification is proving very difficult and diplomats said last week that, for all the optimism, some very tough negotiations lie ahead on this subject in the INF talks.

Senator Nunn yesterday said he will come out with his long-awaited paper on the interpretation of the anti ballistic missile treaty "in the next couple of days."

The paper is a response to the Reagan Administration's favoured interpretation of the ABM treaty which supporters say would allow extensive testing and development of the SDI Star Wars programme. Opponents say it would bury the treaty, antagonise the Soviets, and escalate the arms race.

● Mr Helmut Kohl, the West German Chancellor said yesterday he expected Washington and Moscow to agree this year to abolish medium-range nuclear missiles in Europe.

The newspaper Bild quoted him as saying "I consider the chances of agreement in 1987 to be positive."

He said Mr Mikhail Gorbachev, the Soviet leader, who proposed the missile deal, and US President Reagan had "taken important steps in recent days to make successful negotiations possible in Geneva."

THE REAGAN Administration plans to sell Saudi Arabia a $400m package of helicopters and electronic equipment for warplanes, Pentagon officials said yesterday, Reuter reports from Washington.

The US has been anxious to improve Saudi defensive capabilities in the volatile Gulf region, where Iran and Iraq have been at war for 6½ years.

Officials confirmed published reports that the Administration will officially notify Congress later this month of the offer to sell a dozen large troop transport helicopters, other smaller helicopters and electronic counter-measures equipment for Saudi Arabian F-15 fighter jets.

The sale would become official 30 days after the notification unless Congress vetoed it.

Other package components are a C-12 twin-engine turbo-prop aircraft, and a single "Blackhawk" command helicopter, as well as spare engines for the helicopters, special tools, testing equipment, and training and maintenance support.

Argentina to ease equipment import curbs

BY TIM COONE IN BUENOS AIRES

ARGENTINA is to open its domestic market to more foreign manufactured capital goods.

Border taxes on imported equipment that cannot be made in Argentina are to be eliminated until the end of 1989. The measures complement the price and wage freeze imposed by the Government late last month.

They are aimed at stimulating local industrial investment and reducing the production costs of goods destined for both the export and domestic markets.

Mr Roberto Lavagna, the Trade and Industry Minister, said the elimination of border taxes will reduce investment costs by 12 per cent on the goods affected.

For the next 18 months Argentine purchasers of capital goods will also be able to claim exemption from import duties on capital goods which are available in Argentina, providing they can demonstrate that local manufacturers cannot meet quality, delivery or reasonable price requirements.

Approval of such imports will be at the discretion of the Trade and Industry Ministry in consultation with local manufacturers, who will have 90 days to present their objections.

Argentina has also added a further 3,100 categories of products to its list of goods that can be imported free of duty if they are to be re-exported.

The principal exception to the new measures is for those goods already included in preferential agreements with Brazil. Mr Lavagna is to meet Mr Dilson Funaro, the Brazilian Finance Minister, this week to discuss wider trade agreements which would establish a temporary admission of duty-free status for practically any product designed for re-export.

The aim of the agreement would be to expand trade in all products, with the safeguard that any trade increase would have to be balanced.

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Fears rise over economic growth in W Germany

BY ANDREW FISHER IN FRANKFURT

WEST GERMANY'S biggest industry, mechanical engineering, has reinforced the concern about slackening growth in the economy by reporting a surprising drop in new domestic business on top of an already weak export trade.

In January, the order inflow was down 14 per cent in real terms, the industry association (VDMA), said. New foreign business slumped 17 per cent, while domestic orders were 10 per cent lower.

"The domestic weakness has surprised us," said Mr Frank Paetzold, president of the VDMA. "All the forecasts were promising us a continuing steady upswing here." Last summer, the industry had enough work for 6.5 months; now the backlog stretches just under six months.

Mr Paetzold believed that the poorer export outlook, brought on by the strength of the D-mark against the dollar and other currencies, had made a number of customers reduce their investment plans. Thus he expected a slight drop in output of the mechanical engineering sector this year.

In 1986, production was a real 9 per cent higher at mid-year, but ended with only a 5 per cent increase. Exports rose from DM 93bn (£31.79bn) to DM 97bn (£33.16bn) and turnover from DM 161bn to DM 165bn (£55.32bn).

The steady rise of 20 per cent in output since 1984 has enabled the industry to add around 100,000 new jobs, 36,000 of them in 1986. But short-time working among the industry's 1.07m employees has risen recently and now affects 27,000.

The news on mechanical engineering coincided with official statistics showing that new orders in the whole of manufacturing industry had fallen.

In January, said the Economics Ministry, these dropped by 8 per cent on the same month of last year and by 2 per cent on December. Domestic orders fell 4 per cent compared with December, with a 1 per cent rise in foreign orders.

News of declining orders follows the release of statistics showing that industrial output was also down in January.

Mr Paetzold said the drop in domestic business meant that "after the investment wave of the past two years, companies are taking a pause for breath."

The engineering industry was also worried about the big rise in imports from Japan. The VDMA would support EEC measures to extend anti-dumping rules to parts and components, since, it alleged, the Japanese were by-passing the regulations by assembling imported parts in Europe.

Last year, Japanese machinery exports to Germany rose 22 per cent to DM 4.6bn, while German sales to Japan were only 10 per cent higher at DM 1.6bn. He said there were still too many non-tariff restrictions in Japan.

Pakistan defends nuclear programme

THE PAKISTANI Government pledged yesterday to continue its controversial nuclear programme, even if it means losing foreign aid, Reuter reports from Islamabad.

"We shall neither be browbeaten, nor cajoled," Mr Zain Noorani, acting Foreign Minister, told Parliament.

"I promise the people of Pakistan on behalf of the Government, that no power on earth can deter us from pursuing our peaceful nuclear programme," he said.

The Government of President Mohammad Zia-ul-Haq has repeatedly denied allegations from independent researchers and neighbouring India that it is building a nuclear bomb. It says the research programme is entirely for energy purposes.

Mr Noorani made his defiant statement as the US Congress was considering a $4.02bn (£2.5bn) aid programme for Pakistan, which would be halted under US law if the country were to build nuclear weapons.

Pakistani officials have expressed fears that recent studies published in the US, and news reports quoting a top Pakistani nuclear scientist, might lead Congress to suspend the aid.

Afrikaner elite splits with Botha on reform

BY JIM JONES IN JOHANNESBURG

THE RIFT between the Afrikaner intelligentsia and the Botha Government widened at the weekend with the resignation of the editor of the largest Afrikaans newspaper and public criticism by Stellenbosch university professors of the Government's failure to introduce reforms.

Both developments underscore the growing belief among elite Afrikaners that the ruling National Party is incapable of introducing real reform under the leadership of President Botha and his ministers.

On Saturday Dr Willem de Klerk resigned as editor of Rapport, the only Afrikaans Sunday newspaper, after refusing to accede to ministerial demands to modify editorial policies.

He said yesterday: "There was pressure on me to advocate National Party policies in which I do not believe.

"It was a question of my own professional and personal integrity, I was not prepared to write articles supporting policies I disagree with.

"I still believe the NP has the opportunity to bring about great reform in this country, but then certain of its policies and its style will have to move in a new direction.

Dr de Klerk, the brother of Mr F. W. de Klerk, the Government's ultra-conservative minister of national education, joined Rapport four years ago.

Before that he was editor of Die Transvaler, the NP's official mouthpiece, but resigned because of pressures to modify his reformist editorial line.

Under his editorship, Rapport has regularly criticised the Government's slowness in dismantling apartheid. Dr de Klerk believes nothing can be achieved unless the Group Areas and the Separate Amenities Act—the cornerstone of apartheid, as he describes them—are scrapped.

These views coincide with those expressed at the weekend by 28 influential Stellenbosch professors, led by Professor Sampie Terreblanche, until recently a leading NP theoretician.

The professors, who call themselves Discussion Group '85, admitted they had failed to influence government policy by private approaches to the NP's leaders.

Apart from calling on the Government to state its unambiguous intention to abolish all residues of apartheid, the professors demanded that the Government state its intention to share power effectively with black South Africans.

They said the Government's failure to give any hope to blacks seriously retarded political negotiation.

South Africa's former ambassador to Britain, Dr Denis Worrall, a pro-reform rebel from the ruling National Party, is drawing unexpected strength from voters, according to an opinion survey published yesterday, Reuter reports from Johannesburg.

With campaigning barely started for a whites-only general election on May 6, the poll put Dr Worrall almost neck-and-neck with Mr Chris Heunis, a cabinet minister, in the key constituency of Helderberg.

The poll, for two Sunday newspapers, showed Mr Heunis with 31 per cent support in the constituency and Dr Worrall, a former NP member of parliament, with 29 per cent.

The right-wing Conservative Party had two per cent and the rest of those surveyed were undecided or refused to say how they planned to vote.

Israeli cabinet defers debate on Pollard spy affair

BY OUR TEL AVIV CORRESPONDENT

THE ISRAELI Cabinet yesterday deferred a potentially damaging debate on who was to blame for the Pollard spy affair which has seriously shaken Israel's close relations with the US.

Three ministers demanded an explanation of how Mr Jonathan Pollard, sentenced to life imprisonment by a Washington court last week, was recruited to pass top secret documents to Israel, and why the men who ran the bungled operation have since been rewarded with plum government jobs, incensing the Reagan Administration.

But Mr Yitzhak Shamir, the Prime Minister, gained a respite by having the matter referred to a secret session on Wednesday of the 10-man inner Cabinet, where a majority seems sure to oppose establishing a commission of inquiry.

At least five members appear to have a strong interest in preventing an inquest. Mr Shamir and Mr Shimon Peres, the Foreign Minister, were both Prime Minister while Mr Pollard spied for Israel, Mr Ariel Sharon and Mr Moshe Arens, were former Defence Ministers, who presided over the early phase of the operation, and Mr Yitzhak Rabin, the current Defence Minister has been widely blamed for mishandling matters once the scandal broke.

Israelis only grasped the enormity of the Pollard affair last week when Col Aviem Sella, an Israeli air force officer was indicted in the US on espionage charges, shortly after being promoted to command Tel Nof air base near Tel Aviv, a key defence establishment.

For months Israeli leaders had shrugged off the case of the former US navy intelligence analyst, arrested outside the Israeli embassy in Washington in November 1985, as an isolated gaffe by a "rogue" intelligence unit, a view now widely held to be inaccurate.

Governments urged to meet rail track costs

By William Dawkins in Brussels

EUROPEAN governments should assume financial responsibility for building and maintaining railway track, urges a report by the EEC's Economic and Social Committee.

The "very large historic debt" of national railways should be written off and taken over by a "completely separate body," says the report, which fiercely criticises member states and the European Commission for their failure to adopt a coherent rail policy.

The committee, an advisory group of 189 national representatives of economic and social groups, calls for the implementation without delay of Commission proposals made three years ago for a radical shake-up of railway finances.

Those proposals have since run into tough resistance from a UK Government unwilling to shoulder the cost of caring for British Rail's track. France and West Germany were initially keen for an EEC solution to the financial crises faced by their own railways, but their enthusiasm has since cooled.

The strength of the committee's opinion is underlined by the fact that it is offered on its members' own initiative, rather than being a routine response to Commission proposals, as is more usual.

Railways should form a key part of the Community's campaign to create a common market free of trade barriers by 1992, the report argues. Yet there are dangers that the sector's development is being neglected while member states grapple with the sensitive issues of road and air transport liberalisation.

Unemployment in EEC tops 17m in January

By Quentin Peel in Brussels

THE NUMBER of unemployed workers in the EEC rose for the first time above 17m in January, largely due to the very cold weather, but underlining the stubbornly high level of joblessness in the face of sluggish economic growth.

The figures were published yesterday by the European Commission, on the eve of a quarterly review of the EEC economy by Community finance ministers forecasting a further decline in the growth rate.

In spite of the more pessimistic outlook, the ministers are not expected to decide on any measures for greater co-ordination of their policies.

Plans to get each member state to report back to Brussels on the measures it has taken to comply with the strategy look like being put off for discussion at a later date.

Although the rate of growth in unemployment in the 12 member states has slowed down, absolute numbers out of work are still increasing, reaching 16m last October, and 17.1m in January. The average annual unemployment rate for 1986 was 11.2 per cent, and rose to 11.8 per cent in the latest monthly figures.

With no comparable statistics yet for Spain and Portugal, the highest EEC figure is 18.4 per cent for Ireland, 13.8 per cent in Italy, 12.6 per cent in Belgium, and 12.4 per cent in the Netherlands. Britain is in fifth place with 12.1 per cent.

Apart from Luxembourg, with negligible joblessness of only 1.5 per cent, Denmark has the lowest figures with 7.2 per cent, followed by West Germany on 8.1 per cent.

Policeman shot dead by Sikhs in Golden Temple

BY K. K. SHARMA IN NEW DELHI

TENSION in the troubled northwestern state of Punjab mounted over the weekend when Sikh extremists demanding an independent nation shot a policeman inside the historic Golden Temple in the holy city of Amritsar.

The policeman was killed when a small and unarmed party of security men entered the Sikh shrine to look for a colleague who had been kidnapped by radicals and allegedly tortured by them. Police claim a group of extremists fired on the party which rescued the kidnapped official and mortally wounded Mr Sukhdev Singh of the Punjab police.

The temperature in Amritsar and, indeed, the whole state mounted as reinforcements surrounded the golden temple which is again under the control of the extremists.

The shrine was taken over in January when militant high priests were appointed in place of moderates. Since then, Mr Surjit Singh Barnala, the moderate chief minister of Punjab, has been excommunicated and is under threat from the extremists who have called for his resignation.

Mr Barnala survived the challenge after more than 200,000 Sikhs attended a rally in his support a fortnight ago, defying the high priests order that he should be socially ostracised. But the Golden temple shooting could mean a fresh threat to him.

No policeman has been killed inside the shrine since Mrs Indira Gandhi, the late Prime Minister, ordered the army into the temple in June 1984.

Hostile Sikh reaction to the army assault eventually led to Mrs Gandhi's assassination and to a fierce and unresolved controversy over whether security forces should be allowed to enter the Golden Temple.

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THE NIKKO PERSPECTIVE

ON WHY The Securities Industry is Becoming a Leading Industry in Japan

WHAT FORCES ***are behind the recent strong performance of Japanese securities companies?***

Iwasaki: Three sets of developments have given strong impetus to our growth: developments in international capital markets, growth of the financial asset base in the domestic market, and deregulation and rapid growth of financial markets.

In international capital markets, there has been a strong shift toward securitization. Last year, for example, about 70% of transactions—primarily bond transactions—in the Euromarket were securities-related. Bank loans represented only about 27% of total transactions. Behind this shift toward securitization is an underlying need to adjust flows of funds between creditor and debtor nations. The funding requirements of borrower nations are not likely to subside suddenly. Instead, it has become increasingly clear which nations will be creditors and which will be borrowers. The trend toward securitization is therefore likely to continue for the long term.

Another important development in international capital markets supporting the growth of our operations is the growing importance of institutional investors. In an environment where interest rate and currency risks are greater than before, the role of the professional investor has and will continue to become more important.

Securities are also a more flexible mode of finance when it comes to developing new financial instruments and products. This too has been an important factor supporting the expanding role of securities transactions in the Euromarket and in other major financial markets.

WHAT DOMESTIC ***developments have boosted Nikko's performance?***

Iwasaki: One of the most important has been the growth in financial assets in Japan. According to estimates made by the Nikko Research Center (NRC), expansion in financial assets is outstripping growth in real assets. The NRC forecast for 1987 through 1991 is for growth of 5.2% in real assets. Compare this with forecast growth of 8.6% for financial assets and you can see why growth in the financial services industry is likely to continue at a strong pace. The Japanese economy is shifting to become less of a "goods" economy and more of a "money" economy.

Along with this, we have seen a significant increase in sensitivity to interest rates and profitability of investments among individuals. Although securities still account for only about 20% of personal financial assets, we foresee a growing shift toward securities investments in the years to come. This trend will move in parallel with the growth in securities markets. For example, the volume of Japanese government bonds outstanding now is about $916 billion, but in five years, this will rise to $1,300 billion. Another very significant development will be the removal of tax exemptions on an estimated $2,000 billion in savings beginning in October 1987. This will lead to some important shifts in the flow of funds and will generate more opportunities for securities companies.

Reflecting the size of financial assets in Japan, which now total more than ¥600 trillion, or about $4 trillion, Japan has also emerged as the world's leading creditor nation. At the end of calendar 1986, Japan's net external assets amounted to an estimated $200 billion. By 1991, we believe this total will rise to $500 billion. At present, about 80% of the increment to net external assets is accounted for by securities investments.

With this momentum behind it and with continuing deregulation, the Tokyo market is expected to move out in front as one of the world's three leading international money and capital markets. Surveys of experts indicate the consensus view is that Tokyo will rise to a position of importance equivalent to London in the near future and, thereafter, reach the same level of importance as New York, essentially propelled by the growth in domestic financial assets and by the growing volume of international transactions.

Takuya Iwasaki

Born in 1928, Takuya Iwasaki joined Nikko Securities in 1954. After having held various operational posts in the trading, underwriting, and other divisions of Nikko, he was appointed president of the firm on December 19, 1986.

WHAT ROLE ***has expansion in the market itself played in stimulating growth in your operations?***

Iwasaki: A big role indeed. The size of transactions volume in the Tokyo market has expanded dramatically along with such developments as deregulation, increased participation of institutional investors, and fluctuations in interest rates and foreign currency valuations. All of these developments have prompted investors to move their portfolios more actively for short-term gains. As Japanese banks especially continue to step up their activities in the market, transactions volume will continue to expand.

Nikko is very well positioned to participate in this growth. For example, in our fiscal year ended September 30, 1986, we increased our equity share trading volume 55%; brokerage commissions rose 42%, setting a new record. The value of our bond transactions rose 116% for the year and revenues grew 38%. We made substantial gains in convertible bond transactions, in bond futures trading, and in the sale of investment trusts to individuals and institutional investors. In addition, we achieved excellent results in the development and application of new systems, including, for example, use of the new BARRA/Nikko Japanese Equity Risk Model in our Index Fund TSP and Japan Index Fund.

In short, it was an excellent year for us. Revenues were up 50%, to ¥457.1 billion, and net income rose 75%, to ¥82.8 billion, each of which is the highest level in Nikko's history. Reflecting the excellent prospects for growth in our operations, the total stock market valuation of Nikko shares was approximately $13.1 billion as of the end of 1986, over 268% higher than a year before.

WHAT EFFECTS ***will increased competition from domestic and foreign securities companies have on your operations?***

Iwasaki: As in any growing market, we expect competition to increase. Right now, 36 foreign securities companies have securities branch licenses in Tokyo. We expect that number to rise to 50 before this year is out. Since some of these operations are branches of subsidiaries of foreign commercial or universal banks, we expect Japanese banks will also begin to argue more strongly for permission to set up securities operations in Tokyo. We expect that the number of our competitors will grow and that competition will become tougher in the years to come.

Other developments we have to keep in mind are further deregulation measures, such as the problem of the fixed commission structure and introduction of a shelf registration system.

These developments, along with the sheer growth of the Tokyo market, form the backdrop for our continuing expansion. As Japan becomes an increasingly important exporter of capital and an international financial center, the opportunities will multiply very rapidly. The most important success factors will include having the right strategies and the right set of capabilities to meet the needs of the market as they emerge.

More than ever, we have to stress closeness to the markets we deal in. Growth in revenues and profits will no longer depend on continuing to do things the way they were done in the past but will depend much more on being in touch with the needs of the market and on being able to respond to those needs. Being market-minded, I believe, is a key point we must stress in the years ahead.

WHAT STRATEGIES ***will Nikko pursue to achieve this market-minded orientation?***

Iwasaki: Our ultimate goal, as Japan becomes an increasingly important financial center, is to become a full-service, global financial institution. To accomplish this, I think Nikko must become more active in developing appropriate strategies and implementing them. We cannot afford to maintain a passive approach; we have to move into a more active mode.

I have summarized this in the phrase *Zoshitsu Keiei*. The main theme of Japanese companies after the oil crises was what we call *genryo keiei*—that is, managing to eliminate waste in all phases of our operations. I think we need a shift in emphasis now toward upgrading the quality of our operations.

Zoshitsu Keiei means, specifically, managing to upgrade the quality of our personnel resources, our products and services, and our financial position and resources.

People, as anyone in the securities industry knows, are our most important resource. I think Nikko certainly has a highly trained and capable staff. But I think we need to emphasize *Zoshitsu Keiei* through increased training and through stimulating our staff to test the limits of their abilities by giving them increased responsibility. Unless younger people are given the opportunity to try, they will not make either the right decisions or the mistakes that we all learn from. I have forbidden our branch managers to complain about some young people not being self-starters. Instead, I have told them to give these younger people more responsibilities.

To do this, we have implemented changes in operating procedures by having both directors and managers do more to encourage initiative among all levels of staff, thereby realizing our full potential as a company through a fundamental change in the way our professionals approach their work.

Another key aspect of personnel development is evaluation. We are conducting a full review of our compensation and evaluation systems and will make the changes found appropriate for attracting and keeping the best talent.

HOW ABOUT ***the development of competitive financial products and services? How will Nikko keep ahead in this area?***

Iwasaki: Personnel resources are a key factor here also. But development of financial products and services that stay ahead of client needs will require a greater closeness to the market. That is what I mean by being market-minded. Nikko's financial products and services are a crystallization of its know-how and expertise. Investment trust products and swaps are cases in point. But I don't think products that meet client needs can come from sitting, thinking, and waiting for divine inspiration. We have to be in intimate touch with the market, constantly sounding out the needs of our clients. When we know what the market requires, we can develop the proper services. Ideally, we should know our clients and the market so well that we can provide services that satisfy needs that clients themselves are unware of.

We must also continue to work to improve our capital base and overall financial position. This is because profitability is now essential to generate the confidence of society and our clients.

Given the market opportunities we have before us and the potential of our resources, I believe we at Nikko have the opportunity of a lifetime to be a leader in the financial industry in Japan and internationally.

NIKKO
Nikko Securities
3-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo, Japan
Tel: (03) 283-2211 Telex: J22410

The Nikko Securities Co., (Europe) Ltd. Nikko House, 17 Godliman Street, London EC4V 5BD, United Kingdom Tel: 01-248-9811 Telex: 884717

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OVERSEAS NEWS

Three-nation bid for Iran N-deal

BY TIM COONE IN BUENOS AIRES AND PETER BRUCE IN BONN

A CONSORTIUM of Argentine and Spanish companies assisted by Kraftwerk Union of West Germany are negotiating with the Iranian Government on completion of work on what would be the Islamic Republic's first nuclear reactor near Bushehr on the coast of the Gulf.

Work on the project, which was very much associated with the late Shah, was abandoned in 1979 shortly after the revolution when the contract was cancelled. KWU is interested in seeing its completion but wants its role to be limited to an advisory one at the site.

Empresaries Agrupados of Spain has joined forces with a group of Argentinian companies, headed by Enace, which include Techint, Agratom and Muclar.

Mr Abel Gonzales, Enace's president, said late last week that negotiations were being finalised and that proposals would shortly be presented to the Iranian Atomic Energy Commission. He added that there would be a "reasonable balance in the share-out of the work involved in the consortium."

KWU is less certain about an imminent deal. "We feel we are still quite a way from an offer," a spokesman said. Company personnel had made many visits to the site and found conditions very good. Most of the civil engineering work was finished before work stopped. Essentially, what remained to be done was the piping and the placing of the reactor.

Negotiations began last year to revive the project, much of the materials and engineering work for which Iran had already paid. A memorandum of understanding was concluded in December. However, Iran's political problems with Bonn seem to have created difficulties for KWU to take a leading role in renewing the work and delivering machinery already purchased.

The International Court is believed to have been asked to consider the legal complications.

In the meantime, the idea arose of a multinational consortium to complete the work. Argentina has had a nuclear co-operation agreement with Iran for the past 18 months, according to Mr Gonzalez. Within this framework, negotiations began between Enace and the Iranian authorities to complete the engineering and installation work. Enace is 75 per cent owned by the Argentine atomic energy commission (Cnea) and 25 per cent by KWU.

The affair has caused evident embarrassment for the Buenos Aires Government, especially at the Foreign Ministry where a spokesman at first denied negotiations were taking place.

KWU has played a leading role in building Argentina's first nuclear reactor Atucha 1 (commissioned in 1974, and is constructing its third, Atucha II, due for completion in 1992. It is also involved in constructing a reactor in Spain in collaboration with Empresarios Agrupados.

Andrew Gowers reports on Iran's unfulfilled hopes in the Gulf War

'Final offensive' runs into the sand

THE ISLAMIC year, which was supposed, in the words of Ayatollah Ruhollah Khomeini, to be decisive in the Gulf War, has less than a fortnight to run. Yet for all the Iranian euphoria and Iraqi alarm of the past 12 months, there is something of a feeling of anti-climax among Western military analysts.

The "final-offensive" long promised by Iran has conspicuously failed to materialise. Its famous victories at Faw and Mehran last year did not lead to large territorial gains. Even the ferocious onslaught on Basra, Iraq's second city, which so frightened Baghdad and its allies when it was first launched two months ago, appears to have petered out.

Last week, Tehran formally announced the end of the so-called "Kerbala-5" offensive (named, like its predecessors, after a Shia Moslem shrine). It was the first time that observers could recall the Iranian leadership actually proclaiming the end of a military campaign—although both sides are still reporting heavy skirmishes to the east of the strategic Shatt al-Arab waterway.

Now, the Tigris and Euphrates rivers which feed into the waterway are rising, and the hot summer months, traditionally marking a lull in the fighting, are not far away. Some analysts speculate that Iran (while still on balance retaining the upper hand) may be settling back into the pattern of political, economic and military attrition which has been so characteristic of the six-and-a-half year war.

Not that the Iraqis are likely to be that relieved; recent events have still left Iran one step further forward in its dogged effort to grind down its enemy. There also remains more than one front for Baghdad to warry about; in the past few days, both sides have reported an upsurge of fighting in the Kurdish mountains on the northern battlefront.

Nevertheless, the tension surrounding the war does not appear to be quite what it was for most of last year, or even several weeks ago. During 1986, a host of factors conspired to create a renewed sense of urgency in Tehran, after two years of gruelling and largely futile battles in the marshes of the central battlefront.

On the one hand, the Iranians were suffering from growing economic problems—induced in part by Iraqi air raids on key oil and power installations.

Then, in February, Iraqi forces suffered a humiliating defeat at Faw, an abandoned oil terminal at the top of the Gulf, losing a small but psychologically significant swathe of territory on the surrounding peninsula. And, in July, the Iraqis were driven from the Iranian town of Mehran, which they had seized two months earlier. Iranian forces are still in possession of both footholds.

"Last year, the Iranians glimpsed victory, and they also realised that they had better get on with it," says Mr Shamran Shubin, an analyst at the Geneva Institute for International Affairs. "Attraction no longer seemed to be working in their favour."

There were repeated calls for mass mobilisation from Ayatollah Khomeini, and hundreds of thousands of troops gathered in the south. The sabre-rattling culminated in a major Iranian attack launched on Christmas Eve initially aimed at Umm al Rassas island in the middle of the Shatt al-Arab, and then in the offensive known as Kerbala 5 — an amphibious assault across Iraqi's water defences between Basra and the Iranian town of Khorramshahr.

The former was clearly a failure, with the Iraqis claiming to have rebuffed the attack and taken the usual extravagant casualty toll within a couple of days.

In the second offensive, by contrast, the Iranians scored what appeared to be stunning early successes, by advancing on to another key island, part of which is directly opposite Basra.

Talk began to turn on the possibility — horrifying for most of the Arab leaders gathered only 100 miles away in Kuwait for the Islamic summit conference—that the Iraqi port might fall.

In the event, it seems that Iranian claims to have come within reach of Basra's suburbs were exaggerated. Mr Donald Kerr, an expert at the International Institute for Strategic Studies, says the Iranians only ever obtained a toehold on the island in question — named Ajayrawiyah — and that Basra did not seem to be within reach of the full range of Iranian artillery. Above all, he says, they failed in what is at once their most difficult and crucial challenge — crossing the Shatt al-Arab.

"The Iranians can score tactical points by capturing territory on the east bank," he says. "But the only thing that counts in strategic terms is crossing that waterway."

It would be wrong, however, to write Kerbala 5 off, even if it did not achieve what most observers believe (but the Iranians deny) was its major objective—namely the capture, or at least the depopulation, of Basra. It succeeded in giving Iraq's supporters a fright—and exposed once again the woeful lack of contingency planning for an Iranian breakthrough among moderate Arab states in the Gulf and elsewhere.

It cast a shadow over the Islamic summit. It left Iran in charge—at least for the time being—of another slice, however small, of Iraqi land. And, perhaps most significantly for the future prosecution of the war, Iran inflicted what appears to have been heavy damage on the Iraqi air force — which is one of Baghdad's key assets against the overwhelming numerical strength of its opponent. Persistent reports suggest that the Iraqis lost 45 aircraft during Kerbala 5, perhaps in part thanks to weapons supplied to Iran by the US under its controversial arms-for-hostages policy.

That amounts to about 10 per cent of Baghdad's total combat fleet — by far its worst losses in the war so far and a hole which may well be difficult for Iraq to fill at a time of worsening economic problems.

IRAN says its troops, fighting in bitter cold, have repulsed an Iraqi attempt to dislodge them from newly-won positions on the Gulf War's northern front, Reuter reports from Bahrain. Iran's IRNA news agency said the Iraqis tried to counter-attack in the snow-capped hills of the Haj Omran region, where Iran launched an offensive last Tuesday.

Two Iraqi brigades—units which normally each number about 3,000 men — were routed, leaving dead and wounded, it said.

Baghdad communiques at the weekend carried no reference to fighting in the north but said a major Iranian assault was thrown back east of Basra on the southern front. A military spokesman said Iraqi defenders, backed by artillery, aircraft and tanks, "wiped out" at least two Iranian brigades in a 12-hour battle.

Turkish troops pursue Kurdish attackers

BY DAVID BARCHARD IN ANKARA

A MAJOR operation was under way yesterday along the Turkish-Syrian frontier as troops searched for a group of Kurdish guerrillas who killed nine people on Sunday in an attack on two houses in the village of Acikyol, near Nusaybin.

The Turkish Minister of the Interior, Mr Yildirim Akbulut, personally directed operations from Ankara. He told Turkish reporters that the guerrillas would be "given the lesson they deserve."

The latest attack followed the pattern set by earlier ones in which a band of terrorists crossed the border by night and attacked the homes of village "trusties" with explosives and automatic weapons in an attempt to kill all the people inside them. Five of the eight who died were aged 16 or under.

It was assumed in Ankara that the latest raid was a response by Kurdish terrorist organisations to the airstrike which the Turkish airforce carried out on Wednesday against Kurdish hideouts in Iraq.

However, unlike earlier raids, this one took place north of the Syrian border and in the Mesopotamian plain. Although Kurdish groups have been active in Syria, and the leader of the PPK (Workers' Party of Kurdistan), Mr Abdullah Ocalan, is believed to live in that country, previous attacks have mostly come from Iraqi or Iranian territory.

Turkey will certainly renew pressure on Syria to prevent Kurdish guerrilla operations from being launched upon its soil. The two countries appear to have concluded an agreement to this effect last year.

The international attention attracted by the recent attacks must be particularly worrying for the Turkish government, as it raises the possibility that the Kurdish groups are beginning to seek — and respond to — publicity in the rest of the world.

Sir Joh fails to pass poll test

BY CHRIS SHERWELL IN SYDNEY

A STATE election in Australia's Northern Territory at the weekend has proved inconclusive in assessing the political prospects of Sir Joh Bjelke Petersen, the right-wing premier of Queensland now campaigning to lead the opposition against Mr Bob Hawke's Labor Government.

The snap election, on Saturday, was called chiefly because of Sir Joh's intervention in Northern Territory politics in order to spread his influence over his own National Party. Sir Joh had described the poll as a litmus test for his campaign.

The election is likely to see the return of the Country/Liberal Party Government with a reduced majority. The National Party gained 17 per cent of the vote and will be fortunate to take any of the 25 state assembly seats.

Sir Joh's opponents quickly claimed the result was a defeat for him. Mr John Howard, federal leader of the Liberal Party, the main opposition party, called Sir Joh's campaign a flop.

Mr Ian Sinclair, the federal leader of the National Party who Sir Joh is seeking to oust, said it was time for Sir Joh's opponents to re-assess their position.

Mr Hawke was more cautious after the Labor Party secured a marginally larger share of votes. Sir Joh would need alibis to explain the outcome, he said, but the support won by Sir Joh's party could not be ignored.

Row over Australian airline plan

BY OUR SYDNEY CORRESPONDENT

CONTROVERSY has broken out over a reported proposal to privatise Australian Airlines, Australia's state-owned domestic airline, as part of an attempt to reduce public spending.

Reports emerged over the weekend that the Government was considering the plan as part of a wide-ranging series of spending cuts to be announced in a mini-budget in May. But after an outburst of criticism from left-wing MPs in the ruling Labor Party, Mr Bob Hawke, the Prime Minister, said yesterday such a move would only follow intense discussion within the party.

Labor is against selling-off Australian Airlines as a matter of party policy, and is in no mood for a repeat of last year's row when the Government overrode it in order to resume uranium sales to France. The idea of privatisation is nevertheless attractive to those who wish to see more competition between Australian Airlines and its private competitor, Ansett.

The country's long-standing two-airline policy is the subject of many complaints, and was recently reviewed by an official commission which published its findings in January after almost two years' work.

Although privatisation of Australian Airlines was not an issue the review body could consider, the most radical of the five options it offered—complete deregulation—seems likely to succeed only if the airline were sold. At least two government departments, it appears, are considering the issues and implications of selling Australian Airlines and possibly airline terminals as well.

The opposition Liberal Party has quickly welcomed the move, accusing Labor of adopting Liberal strategies.

SHIPPING REPORT

Crude carriers benefit from firmer oil price

By Kevin Brown, Transport Correspondent

A LARGE number of very large and ultra large crude carriers were reported to have been fixed for storage and single voyage employment last week as oil prices continued to firm.

E. A. Gibson, the London shipbrokers, said the tanker tonnage awaiting cargoes in the Middle East had risen to some 7.5m tons deadweight as a result of production cuts equivalent to at least one VLCC cargo per day.

Rate levels were said to be difficult to ascertain in the slow market, though VLCC fixtures were reported to Japan at Worldscale 29 and Red Sea to Brazil at Worldscale 24.

Brokers said owners were confident of improvements shortly, however, since charterers would at some point need to replenish oil currently being drawn down from stocks.

In the North Sea, inquiries were said to be reasonably vigorous in the early part of the week, but rates moved little.

Worldscale 60 to 62.5 seemed to have become accepted for short haul voyages within Europe for cargoes of the same size, brokers said.

UK NEWS

Philip Stephens compares international taxation levels

Chasing the tax cuts bandwagon

WHEN Mr Nigel Lawson, the Chancellor of the Exchequer, lowers the basic rate of income tax next week, the chances are that he will point to the international environment as both an endorsement of and spur to his tax-cutting ambitions.

Tax reform – and in particular lowering income taxes – is the current vogue in international economics. Governments of different political persuasions as far apart as Australia and Denmark, New Zealand and Belgium have jumped on the bandwagon.

Last year's US tax overhaul, with its steep reduction in the top rate of income tax from 55 to an effective 33 per cent, has given the process a new momentum.

A reduction in Britain's top rate of 60 per cent is perhaps only a possibility for the March 17 budget but looks a certainty if the Conservatives are returned to office for a third term.

France and West Germany have said they will move in the same direction by reducing their highest rates of 67 per cent and 56 per cent, respectively.

The steeply progressive tax systems which characterised the 1950s and 1960s – designed to reduce income inequalities – are being replaced by flattened schedules with much smaller gaps between the lowest and highest rates.

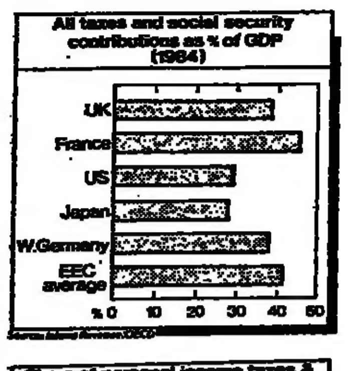
There are two guiding philosophies. The first is that progressive tax systems have become increasingly unfair because of the multiplication of official exemptions and private tax shelters. These allow some privileged taxpayers to reduce their liabilities while others with the same, or even lower, incomes cannot do so.

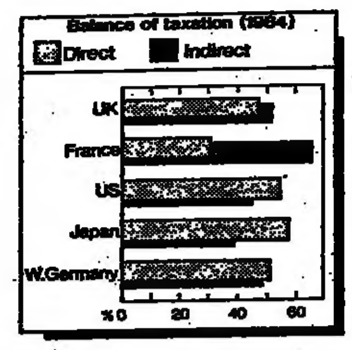
The second is that very high rates discourage risk-taking and act as a disincentive to work, thereby lowering the general efficiency of an economy.

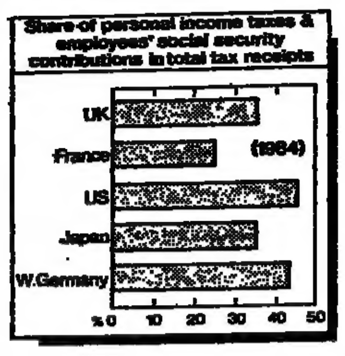
Both arguments are contentious and the source of heated debate among economists, but for the moment they hold sway in much the same way as monetarism caught the international official imagination in the 1970s.

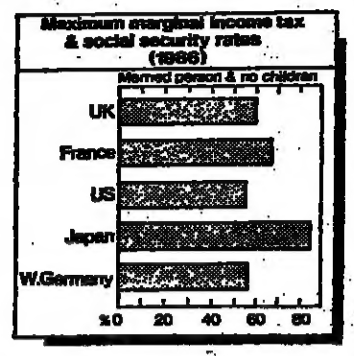
If governments are moving in the same direction, they are at very different points on the starting line, suggesting that their priorities should not necessarily be the same.

Britain's place in the international tax league can be defined in a variety of ways, but the most commonly used comparison between countries measures total tax and social security payments as a proportion of national income or gross domestic product.









As the chart shows, on that basis Britain is towards the top of the international league, with a tax burden significantly higher than that of Japan and the US and a little above West Germany's.

If the comparison is confined to Europe, Britain fares much better. Its 38.5 per cent figure in 1984 is set against a European Community average of 41.9 per cent.

Measurements of the overall tax burden, however, tell only a small part of the story. Just as important is how those taxes are raised.

Thus, although the French are more heavily taxed than the British overall, a much smaller proportion of the Paris Government's revenues comes from income taxes and employee national insurance contributions. The latter accounts for only 25.3 per cent of France's receipts whereas for Britain the comparable figure is 35.2 per cent.

The difference is explained by much higher corporate taxes in France, where companies foot 35.1 per cent of the total tax bill against a figure of just over 21 per cent in Britain.

Similarly, there are sharp differences in the balance between direct taxes on income and indirect taxes of goods and services, the most obvious of which is value-added tax (VAT).

The Treasury, for example, derives just over 30 per cent of its revenues from indirect taxes on goods and services while in the US, where there is no VAT, the figure is only 18 per cent. The balance in West Germany is much the same as in Britain.

Of equal relevance to the individual taxpayer are the contrasts between nations in the levels of both the starting rates and the top rates of income tax.

In Britain a married man with no children faces an effective starting rate of 36 per cent if national insurance contributions are included. The same person in France would pay only 19 per cent on their first tranche of income while in the US the starting point is just 18 per cent.

The French taxpayer (again married with no children) at the bottom end of the income scale also benefits from a much higher threshold, below which no income tax is due. His or her threshold is equal to 66 per cent of the average production worker's income while in Britain it amounts to only 40 per cent.

Thresholds are crucial in comparing relative tax burdens because they determine the average rate of income tax. Thus, although the American taxpayer has a lower starting rate of income tax (15 per cent under the new regime compared with 29 per cent in Britain), at least part of the advantage is offset by a smaller threshold.

As far as highest rates are concerned, Britain is near the top of the international league although close to the rest of Europe. The 84 per cent top marginal rate for Japan shown in the chart is above Britain's 60 per cent, but it affects only a much smaller proportion of taxpayers.

The marginal rates, however, tell only part of the story because of the incidence of tax thresholds and other allowances. If these are included, Britain's highest-paid are not relatively worse off than their counterparts elsewhere.

To take one example: according to the Inland Revenue a single person in Britain with a gross income of £50,000 a year will pay 44 per cent of that in tax and social security. The comparable proportion in West Germany is 51 per cent, in the US 45 per cent and in France 42 per cent.

At the other end of the scale a British worker on £5,000 a year will pay 24 per cent of that to the Government while a counterpart in the US will lose only 17 per cent, in France 18 per cent and in Japan 17 per cent. Only the low-paid worker in West Germany is worse off, paying 30 per cent of gross income in tax and social security.

All these comparisons must carry a "health warning" because of different patterns of income distribution between countries, different benefit systems and distortions caused by exchange rate fluctuations.

In general terms, however, if Mr Lawson wants to fall into step with the international scene, his first priority next week should be to cut taxes at the lower end of the scale.

Taxpayers below decency threshold, Page 8

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West 'improves energy efficiency by over 20%'

BY MAURICE SAMUELSON

WESTERN industrial countries are using energy more than 20 per cent more efficiently than in 1973, equivalent to a saving of 880m tonnes of oil, according to the Paris-based International Energy Agency.

The agency, founded as a consumers' club in the aftermath of the 1974 oilprice shock, makes the claim on the basis of changing energy intensity – the amount of energy used to produce a unit of gross domestic product.

The IEA analysed trends in member countries between 1973 and 1985 and said the biggest improvement in energy intensity was in the industrial sector, due mainly to more efficient use of energy.

Significant improvements also occurred in the residential and commercial sector as well as the transport sector. However, little change was found in the efficiency of electricity generation.

Rising energy prices and trends towards higher productivity were the "driving force" behind improvements although this was supplemented by government policies and programmes to promote conservation.

The report said that a gradual fall in real energy prices since 1982 had "reduced, but not reversed" these trends.

The agency concluded that there was potential for further improvement on an economic basis. It said that, if energy conservation methods which are now economically viable were fully implemented by the year 2000, efficiency would be more than 30 per cent higher than current levels.

Energy Conservation in IEA Countries, OECD Publications, 2 rue André-Pascal, 75775 Paris; or HMSO, 49 High Holborn, London, WC1.

Miners stand by six-day working

BY OUR LABOUR STAFF

SOUTH WALES miners' leaders are expected to stand firm on their decision at the weekend to accept the principle of six-day working at the proposed new colliery at Margam, near Port Talbot.

Mr Arthur Scargill, president of the National Union of Mineworkers, yesterday made clear his displeasure at the two-to-one vote in favour of the six-day plan at a South Wales NUM delegate conference.

Speaking to Yorkshire miners near Pontefract, northern England, Mr Scargill accused the South Wales area of passing a "mischievous and misleading" resolution. He called on the area's leadership to reconsider.

He said: "Existing union policy means we maintain the five-day working week and press for a four-day working week with no increase in hours and no loss of pay."

The South Wales decision is due to be discussed at a meeting of the NUM's national executive committee on Thursday. In spite of Mr Scargill's strong views, the South Wales area is expected to stand by its decision.

After a four-hour debate on Saturday, South Wales leaders criticised British Coal for placing them in a dilemma but said they had decided in favour of the six-day plan because the new pit would bring jobs for the unemployed.

Labour MPs plan campaign against London left-wingers

BY JOHN HUNT

A CAMPAIGN to combat the activities of hard-left Labour councillors and constituency parties in London is being planned by Solidarity, the pressure group of 70 moderate Labour MPs which represents about a third of the strength of the parliamentary party.

It is considering calling a series of regional conferences of Labour MPs, candidates and party workers to condemn the so-called "loony left" and to emphasise the party's mainstream policies.

If an early general election is called, this would be delayed until after polling day in order to avoid embarrassing the party leadership during the campaign.

Solidarity will also circulate a newsletter to put across the views of its members and to speak out against the extreme left.

The action follows Labour's defeat in the London Greenwich by-election and the leaking of a letter from Ms Patricia Hewitt, press secretary for Mr Neil Kinnock, the Labour leader.

The letter admitted that the "loony Labour left" was taking its toll of party support and said that Mr Kinnock wanted to convene an urgent meeting of senior party figures in London.

One option being considered is for Mr Kinnock to address the Labour leaders of the London boroughs to emphasise the damage that some of their more highly publicised policies are having on Labour's electoral chances.

Another alternative is to adopt a low-key approach and leave the matter to the London regional Labour party conference in April.

The Solidarity group held a private meeting at Westminster on Thursday night. Disappointment was expressed that Mr Kinnock had not taken a tougher line against the London left at the meeting of the parliamentary party when he said that he did not want a party post-mortem on the Greenwich result.

Solidarity members felt that they had kept silent long enough on the activities of London left-wingers in the interests of party unity and that the time had come to speak out.

One Solidarity member, Mr Joe Ashton, said last night: "We have bitten our tongues for the sake of party unity."

The party leadership will be trying to play down dissension over the left in the coming weeks. With the budget due on Tuesday of next week, Labour will try to concentrate attention on its main economic policies.

Conservative councils spend less on education, says Radice

BY JOHN HUNT

MR GILES RADICE, Labour's education spokesman, has carried out a survey which, he says, shows that pupils in Conservative controlled authorities have less money spent on their education, are taught in larger classes, pay more for meals and have less chance of nursery education.

"It is clear something must be done about these insupportable differences in provision," he said last night.

A Labour government, he said, would correct this without centralised legislation. There would be an overall agreement between the Education Secretary, local education authorities, teachers and parents on acceptable levels of provision in various areas of the country.

This agreement would then be published and inspectors sent in to see if the local authority was achieving those standards. If they were not, then the deficiency would be publicised and pressure put on the local education authority.

Mr Radice said that the survey showed that average expenditure per pupil in Tory councils was well below the average for Labour ones in both primary and secondary schools. Class sizes were noticeably bigger in Conservative areas.

The bottom 20 authorities in nursery provision were overwhelming Conservative, except for Liberal Isle of Wight.

He singled out for particular criticism the education authorities of Hereford, Worcester, Lincolnshire and Norfolk which did not "appear to realise the importance of investing in our children."

According to his figures, in 1986-87 Conservative councils were spending on average £765.2 per child each year in primary schools compared with £836.6 in Labour councils – a difference of £71.4 per child.

The top 10 authorities for nursery education were all Labour.

Capital controls proposal under fire

BY TERRY BYLAND

THE LABOUR Party's plans for a capital controls scheme which, if they are elected, would restrict the percentage of overseas assets allowed in investment fund portfolios is "all too reminiscent of aspects of Reagonomics," according to Mr Roger Bootle, chief economist of Lloyds Merchant Bank (government bonds), a subsidiary of Lloyds Bank.

In the banks latest edition of its Economic Strategist, Mr Bootle claims that the scheme would not prevent the sterling exchange rate from falling if Labour were elected and that this could nullify one major supposed benefit of the scheme by encouraging pre-emptive action by the investment institutions.

Economic Strategist claims that Labour's thinking on the purposes of its capital controls scheme has shifted from the initial concentration on boosting investment inside the UK to that of bolstering the exchange rate against any downward pressures stemming from its relationary policies.

On the question of whether the scheme would sustain the pound, Mr Bootle points out that investment institutions would be allowed to choose whether to abide by the proposed ceilings on foreign assets or to exceed them and lose tax privileges.

More companies make pay awards on merit

BY DAVID BRINDLE

MERIT and bonus payments are becoming increasingly important in remuneration of managers in the private sector, the research group Incomes Data Services reports today.

A total of 38 (43.2 per cent) of the 88 manufacturing and service companies in the group's quarterly survey of executive pay awards have reviewed salaries entirely on the basis of merit.

Although more than half the companies have awarded general increases, 16 (18.2 per cent of the total sample) declared a separate merit budget.

IDS says merit awards are of growing influence, particularly in the financial sector.

The reports covering mainly January reviews, says the average annual increase for combined general and merit rises in the private and public sectors was running at 7.5 per cent – the same as the previous quarter but down on the 8.2 per cent reported this time last year.

All-merit increases were found to average 6.7 per cent. Unusually IDS says, this was higher than the 6.2 per cent average for general-plus-merit awards in manufacturing though the comparable figure in services was 8.3 per cent.

The average general award alone was 5.3 per cent.

IDS Top Pay Unit Review 73; IDS, 193, St John Street, London EC 1V 4LS; by subscription.

BASE LENDING RATES

	%		%		%
ABN Bank	11	Citibank NA	11	Mount Credit Corp. Ltd	11
Adam & Company	11	Citibank Savings	¶12.45	Nat Bk. of Kuwait	11
Allied Arab Bk Ltd	11	City Merchants Bank	11	National Girobank	11
Allied Dunbar & Co	11	Clydesdale Bank	11	Nat Westminster	11
Allied Irish Bank	11	Comm. Bk. N. East	11	Northern Bank Ltd	11
American Exp. Bk	11	Consolidated Cred.	11	Norwich Gen. Trust	11
Amro Bank	11	Co-operative Bank	*11	PK Finans. Int'l (UK)	11½
Henry Ansbacher	11	Cyprus Popular Bk	11	Provincial Trust Ltd	12
ANZ Banking Group	11	Duncan Lawrie	11	R. Raphael & Sons	11
Associates Cap Corp	11	E. T. Trust	12	Roxburghe G'rantee	11½
Authority & Co Ltd	11½	Equatorial Tst C'p plc	11	Royal Bk of Scotland	11
Banco de Bilbao	11	Exeter Trust Ltd	11½	Royal Trust Bank	11
Bank Hapoalim	11	Financial & Gen. Sec.	11	Standard Chartered	11
Bank Leumi (UK)	11	First Nat. Fin. Corp	11½	Trustee Savings Bank	11
Bank Credit & Comm	11	First Nat. Sec. Ltd	11½	UDT Mortgage Exp.	¶12.25
Bank of Cyprus	11	● Robert Fleming & Co	11	United Bk of Kuwait	11
Bank of Ireland	11	Robert Fraser & Ptrs	12	United Mizrahi Bank	11
Bank of India	11	Grindlays Bank	‡11	Westpac B'nking Corp	11
Bank of Scotland	11	● Guinness Mahon	11	Whiteaway Laidlaw	11½
Banque Belge Ltd	11	HFC Trust & Savings	11	Yorkshire Bank	11
Barclays Bank	11	● Hambros Bank	11		
Benchmark Tst Ltd	11	Heritable & Gen. Tst	11		
Beneficial Trust Ltd	12	● Hill Samuel	§11		
Berliner Bank AG	11	C. Hoare & Co	11		
Brit. Bk. of Mid. East	11	Hongkong & Shang'i	11		
● Brown Shipley	11	Lloyds Bank	11		
CL Bank Nederland	11	Mase Westpac Ltd	11		
Canada Permanent	11	Meghraj & Sons Ltd	11		
Cayzer Ltd	11	Midland Bank	11		
● Charterhouse Bank	11	● Morgan Grenfell	11		

● Members of the Accepting Houses Committee. * 7-day deposits 6.69%. 1-month 7.03%. Top Tier—£2,500+ at 3 months' notice 10.03%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¾% gross. ¶ Mortgage base rate. § Demand deposit 6.69%. Mortgage 12¼%.

Company Notices

ANDELSBANKEN DANEBANK
(A Bank established under Danish Banking Law)
Head Office:
1-3 Staunings Plads-DK1643
COPENHAGEN V

SECOND NOTICE TO HOLDERS OF 9¼% SUBORDINATED BONDS 1985-1992 OF ECU 1,000 EACH

The holders of 9¼% subordinated bonds 1985-1992 issued by ANDELSBANKEN DANEBANK who were called for March 2, 1987, being unable to meet validly for lack of quorum, are again called to an Ordinary General Meeting, at 37, rue du Rocher, PARIS 8ème (FRANCE) on March 16, 1987, at 4 p.m., in order to consider the same agenda as the one for the first meeting, that is:

—Appointment of the bondholders' permanent representatives, designation of the substitute representatives.

—Determination of the bondholders' representatives' powers and of the remuneration given to the permanent representatives.

To permit the bondholders to attend or to be represented at this meeting, the bonds or their deposit receipts, must be deposited at least five days before the date fixed for the meeting, at the offices of the banks having participated in the placing of these bonds and from whom proxies or admission cards can be requested.

THE BOARD OF DIRECTORS

PIONEER ELECTRONIC CORPORATION

Notice is hereby given to holders of CDR's issued by Caribbean Depositary Co., N.V. Curacao, evidencing shares in the above company that the "First quarter report 1987" of Pioneer Electronic Corporation may be obtained from:
Pierson, Heldring & Pierson N.V.
Herengracht 214
1016 BS AMSTERDAM
and
The Bank of Tokyo Ltd.
established in: Tokyo, Bruxelles, London, Düsseldorf, Paris and New York.
Amsterdam, February 20, 1987.
Pierson, Heldring & Pierson N.V.

INCO LIMITED
NOTICE OF RECORD DATE

NOTICE IS HEREBY GIVEN that March 20, 1987 has been fixed as the record date for the determination of the holders of Common Shares, 7.85% Preferred Shares Series B and the 10% Cumulative Redeemable Commodity-Indexed Preferred Shares Series C, who are entitled to notice of the Annual Meeting of Shareholders of INCO LIMITED to be held on April 22, 1987.
Dated March 9, 1987. S. M. HAND, Secretary

INCO

MOBIL CORPORATION
Incorporated with limited liability in the State of Delaware (U.S.A.)
Siège social:
1209 Orange Street
WILMINGTON Delaware (U.S.A.)

SECOND NOTICE TO HOLDERS OF 11¼% NOTES 1985-1990 OF FF 5,000 EACH

The holders of 11¼% notes 1985-1990 issued by MOBIL CORPORATION who were called for March 2, 1987, being unable to meet validly for lack of quorum, are again called to an Ordinary General Meeting, at 37, rue du Rocher, PARIS 8ème (FRANCE), on March 16, 1987 at 3.30 p.m. in order to consider the same agenda as the one for the first meeting, that is:

—Appointment of the noteholders' permanent representatives, designation of the substitute representatives.

—Determination of the noteholders' representatives' powers and of the remuneration given to the permanent representatives.

To permit the noteholders to attend or to be represented at this meeting, the notes or their deposit receipts must be deposited at least five days before the date fixed for the meeting, at the offices of the banks having participated in the placing of these notes and from whom proxies or admission cards can be requested.

THE BOARD OF DIRECTORS

Legal Notices

No. 00169 of 1986
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF
WORLD AUDIO VISUAL ENTERTAINMENT plc
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice, Chancery Division, dated 23rd February 1987 confirming the reduction of the Share Premium Account of the above-named Company by £2,850,000, was registered by the Registrar of Companies on 3rd March 1987.
Dated this 9th day of March 1987.

CLIFFORD-TURNER
Blackfriars House
19 New Bridge Street
London EC4V 6BY
Ref. RWC
Solicitors for the Company

Art Galleries

RICHARD GREEN, 39, Dover Street, W1. 01-439 3939. WATERCOLOURS by MYLES BIRKET FOSTER. Mon.-Fri. 10-6; Sats. 10-12.00.

UK NEWS

Heseltine advocates caring capitalism

By Peter Riddell

A CLOSER partnership between an activist government and the private sector in solving Britain's industrial and social problems is advocated by Mr Michael Heseltine, the former Defence Secretary, in his 312-page political credo published today.

His book, entitled Where There's a Will, presents a wide range of detailed proposals in what amounts to an alternative manifesto under the theme of "caring capitalism."

While drawing on his personal experiences in Whitehall, Mr Heseltine carefully avoids direct criticism of the present Government, from which he resigned in January last year, and he makes no mention at all of the Westland affair.

His approach cannot be neatly slotted into a wet/dry or consolidator/radical divide, rather it mostly revolves around his belief in an activist role for central government leading and working in partnership with the private sector.

However, Mr Heseltine challenges the dominant role of the Treasury and proposes instead a greatly enhanced role for the Department of Trade and Industry in running a new industrial

"Where There's a Will" by Michael Heseltine, published by Hutchinson, £12.95.

Over 6m taxpayers 'earn below decency threshold'

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

MORE than 6m taxpayers in Britain have an income of less than £125 a week, putting them below the decency threshold set by the Council of Europe, according to a report published today.

The report, produced by the Low Pay Unit, an independent pressure group, calls on Mr Nigel Lawson, the Chancellor of the Exchequer, to focus any tax cuts in his March 17 budget on helping those on the lowest incomes.

It says that the poor have gained little from tax cuts since the present Government first took office in 1979. Of more than £8bn given away in tax cuts, the poorest 6m taxpayers have received only 8 per cent.

In contrast, the richest in taxpayers – 5 per cent of the total – have shared between them a third of the total tax cuts.

The value of tax cuts to the low paid has been only £2 a week and that has been offset by increased national insurance contributions and higher value-added tax (VAT) and excise duties.

The report says that the Government's concern with cutting the top rates of tax shows its misplaced priorities. Only one taxpayer in 20 is subject to any of the higher rates of tax, and one in 200 faced the top rate of 60 per cent.

Meanwhile, the number of poor families caught in the poverty trap of taxes and means-tested benefits – and facing effective tax rates of 75 per cent or above – has increased from 90,000 in 1979 to about 500,000 now.

The units says that a reduction of 2p in the basic rate of tax would do little to help the low-paid and available resources would be better used to invest in job and public services.

Two Nations – Double Standards: The 1987 Budget and the Poor, £2 from Low Pay Unit, 9 Upper Berkeley Street, London W1H 2BY.

Perkins launches new engines

BY NICK GARNETT

PERKINS, the Peterborough-based diesel engine manufacturer, is attempting to strengthen its position in construction and industrial equipment markets by launching today three groups of engines tailored to these types of machinery.

The engines range in power from 37hp to 400hp and are based on existing families of Perkins' diesels but with significant component changes.

The 500 series is based on the 2-litre, 4-cylinder Prima engine developed recently by Perkins and Austin Rover and used in the Maestro van.

Rated at 37 hp to 50hp, the 500 series engines are designed for use in compressors, lift trucks, skid steer loaders and other handling equipment as well as generating sets.

They differ from the Prima engine by using a camshaft designed for low-speed running and include significant differences in fuel injection systems and other components.

The 1000 series engines of 60 hp to 175 hp are derived from the 4 and 6-litre Phaser truck engines introduced by Perkins last year.

Perkins, the diesel manufacturing arm of Varity Corporation (formerly Massey-Ferguson) claims that these engines, which use the same Quadram combustion system as the Phaser, break new ground in fuel consumption and power to weight ratios.

Diesel engine survey, Section III

Expert systems flourish

BY ALAN CANE

MORE THAN 50 per cent of UK companies are already either using or developing computer systems which mimic human thought processes and nine out of 10 will be using these "expert systems" within three years.

This is the chief conclusion of a survey of 257 British companies of varying sizes carried out by PA Management Consultants in collaboration with the magazine Business Computing & Communications.

One quarter of the organisations surveyed believe that expert systems will be of vital importance to their future. A further 36 per cent believe the systems will be useful while only 5 per cent believe they will be of negligible or no use at all.

Expert systems are the first commercially available fruits of years of research into artificial intelligence. They are computer programs which combine methods for storing the experience of acknowledged experts in a particular area in the memory of a powerful computer.

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THE MONDAY PAGE

INTERVIEW

The fighting Swiss

William Dullforce talks to Fritz Leutwiler, banker, industrialist and the man who tackled the politics of South African debt

FRITZ LEUTWILER scans the international monetary scene like an old samurai convinced that the main battles have been fought and won. Once a key player in the world debt crisis, this small man with the rugged face and the trenchant tongue has since found new fields of combat.

As chairman of Brown, Boveri, the ailing electrical engineering group, Leutwiler says he has "joined the fight to keep a decent share of industrial activity in Switzerland," bringing to bear on industry the combativeness that earned him a reputation as a tough governor of the Swiss National Bank and an energetic president of the Bank for International Settlements (BIS).

He is a man of strong convictions, on issues as diverse as the state of world finance, the future of Japanese industry and the prospects for reform in South Africa.

On the latest turn of the debt saga—Brazil's decision to suspend interest payments on $68bn of its foreign debt—Leutwiler takes a fairly dismissive line. It has not shaken his confidence that there is scant danger of a crash which would cripple the world economy.

Ultimately Leutwiler's confidence rests on the belief that a crash will not happen because it must not—from an experienced former central banker, who mobilised short-term finance for Latin America when the debt crisis broke in 1982, this expression of faith carries considerable weight. He notes a "remarkable change of philosophy" among both governments and the banks.

Dilatory as it may be in execution, the plan of Mr James Baker, the US Treasury Secretary, to organise fresh funding for debtor countries has signalled a fundamental change in government thinking, Leutwiler believes.

The commercial banks have learned to live with debt. "I am not saying their money is lost but even the American banks now know that their debt will remain outstanding for a very long time."

He does not dismiss the possibility that a maverick debtor will trigger a domino collapse. But he is persuaded that "every authority in the US" would act to divert disaster from a big US bank "even at the price of heavy spending of taxpayers' money and at the price of increasing money supply and risking higher inflation."

Would that put the Brazils and Mexicos in a position to call the bankers' bluff? They can certainly demand better terms, Leutwiler acknowledges, but debt repudiation would have serious consequences for them, too. Think of what a stop to trade finance could do to essential imports.

His tough central banker's approach, combined with the flinty side of his character, means Leutwiler does not always go down well with commercial bankers. Some of those involved in the South African debt crisis were unhappy with his role as mediator between the two sides. As he tells it, the episode reveals a lot about the man.

In late 1985, the situation was tense, with some US banks refusing to sit at the same table as the South Africans for political reasons. Pretoria in turn "had unrealistic ideas about what it could achieve while the banks were still thinking in terms of a multi-year rescheduling which was out of the question."

In the end Leutwiler brought off a 15-month interim settlement which the banks "needed some pressure to accept": in effect he gave them a take-it-or-leave-it ultimatum. Then last summer a spokesman announced he had withdrawn as mediator.

"That was a misunderstanding, Leutwiler says; he has not quit. Chris Stals, the South African Treasury director general, came to Switzerland in January to consult him, but with the banks and Pretoria now talking directly he has no active role to play.

Leutwiler feels that President Botha let him down last year by not pushing ahead with his promised reforms. While strongly opposed to apartheid, he is less than happy about the policy of Western countries, towards Pretoria. Sanctions, to the extent that they take effect at all, hurt the wrong people, the blacks and coloured "and also the banks."

While the West has sought greater contact with leaders of the main South African opposition group, the African National Congress (ANC), Leutwiler clings to the surprisingly hard-line view that the ANC should be shunned because "it has a communist face."

He insist that Brown, Boveri should not close down its operation in South Africa. Nor does Leutwiler think it would be "an honest approach" to transfer its factories to local interests, as some big US companies have done. This is the standard Swiss response to the situation in South Africa: to maintain normal, but not more than normal, business.

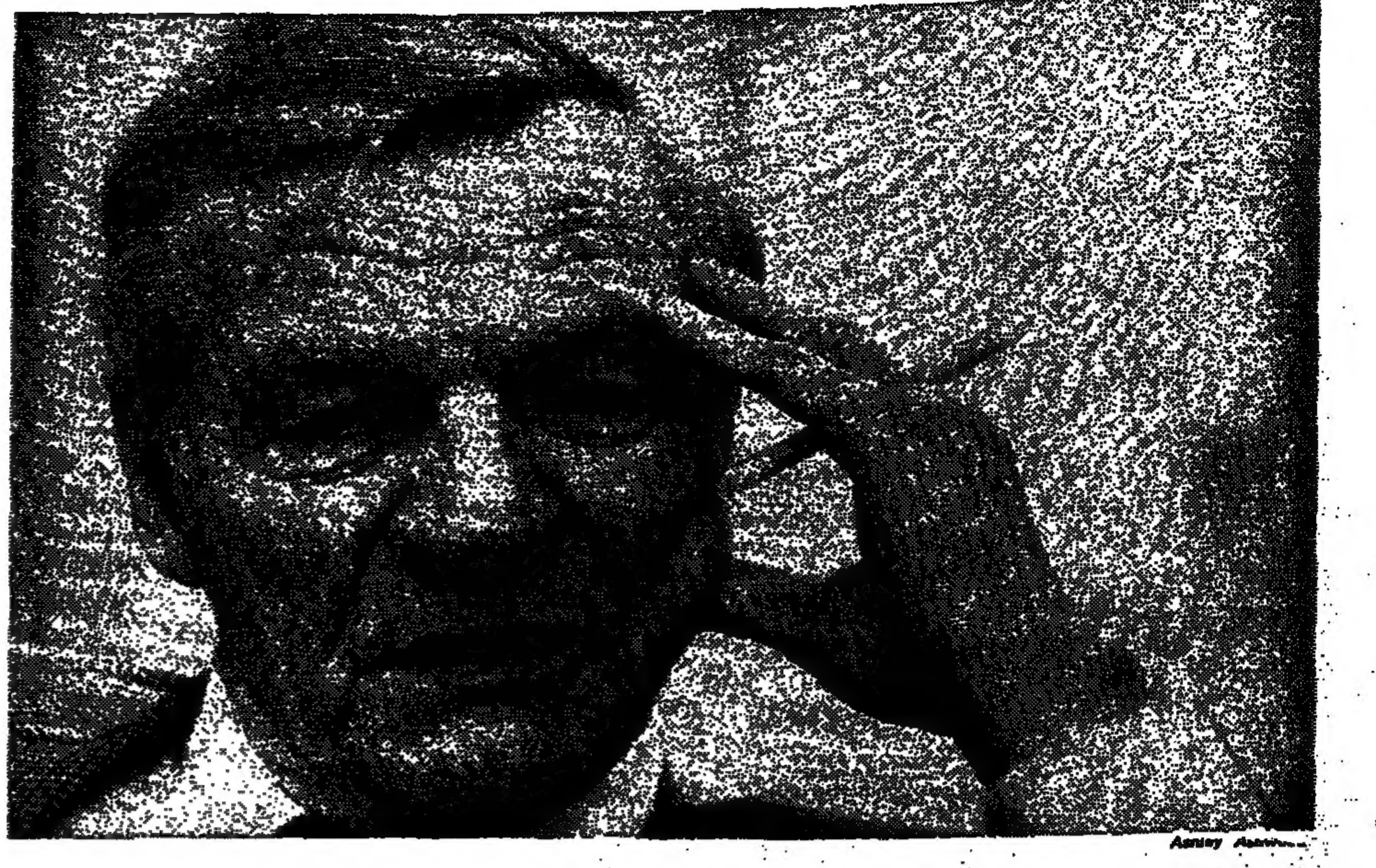
Swiss pragmatism comes through again and again in conversation with Leutwiler. He is, for instance, sceptical about efforts, such as those recently made by finance ministers in Paris, to fix exchange rates or reform the world currency system.

"We can sit together in groups of five, seven, 10 or 11 but there is nothing, absolutely nothing that can be done without changing fundamentals"—by which he means ensuring sound fiscal and monetary policies at home.

"Completely crazy" exchange rate fluctuations have made life as an industrialist more difficult for Leutwiler over the past two years but he is sure that conferences on monetary reform will not give him stable rates. "You can get them practically automatically, if you start putting the economy in order and the key to that is in American hands, in their budget deficit."

Before one can dismiss this as trite, Leutwiler anticipates, "I know it is boring, really boring, but it is still true." And one remembers that Switzerland's excellent economic situation owes not a little to the virtues he incnicated.

He made his reputation in the 1970s when, exploiting the relative independence of the Swiss National Bank, he damped the money supply. He forced the country into recession with a negative growth rate of 7 per cent in a single year but he tamed inflation (earlier than in other countries) and set the mould for Switzerland's subsequent monetary stability.



At a time when monetarism is becoming unfashionable, Leutwiler remains an unrepentant supporter. He sometimes gives the impression that he governed his central bank by the seat of his pants. "You do not ask the computers how much money you should supply, you must feel what is appropriate." But the independence of a central bank is "an absolute must."

A central bank cannot operate in a political vacuum, Leutwiler acknowledges. There must be close co-ordination between the Bank and the Treasury. But the division of responsibilities should be clear: the governor looks after the money supply and the finance minister controls his budget.

Politicians are too inclined to let inflation loose, in his view, "because it is easier to be popular." They think they are doing well if they keep the rate within single-digit limits but "they are administering the poison in small doses."

By dividing responsibility for the money supply and the budget in Switzerland things are better ordered than in Britain, Leutwiler believes, but his admiration for Mrs Margaret Thatcher "both as Prime Minister and as a person" is unstinted. It is almost impossible to induce him to be critical of Britain's economic situation.

A suggestion that Mrs Thatcher has failed over unemployment sparks the comment that "full employment was not given to Switzerland by God" and a reminder that the Swiss system — based on a weak federal government — cannot be exported.

In Switzerland trade unions are not aggressive and disputes are settled in-house between management and union. General educational standards are higher — "our people know about exchange rates and the payments balance" — and there is the "delicate point" that the Swiss like to work.

In his new capacity Leutwiler is getting a more visceral feeling for jobs and the link with profits. At the National Bank he did not feel himself to be profit-orientated but at Brown, Boveri "it is profits, profits because it is only by being profitable that we can maintain jobs. We have close to 100,000 employees and that is what preoccupies me when I get up in the morning and go to bed at night."

He has had to learn something about leadership. "Turning round, motivating 100,000 people is completely different from anything I had to do in the past." Brown, Boveri would have no need for him, Leutwiler says, if all that was necessary was for him to set a profit target of, say, 3 per cent of sales for the year—"modest but more than we make now"—and to tell his staff to get on with it.

It is an act of faith for Leutwiler to believe in Switzerland's industrial future. He does not buy the argument that Western Europe is moving towards a purely service economy—at least not in West Germany and Switzerland, he adds in a revealing afterthought.

Industry is a political issue for Leutwiler. Bank employees and industrial workers are different breeds but society needs the mixture. Farmers too—"I am ready to pay (in taxes) to keep the 5 per cent of farmers we still have in Switzerland."

He does not underrate Japanese competition but does not fear it. "At the moment after the depreciation of the dollar I am more worried about our US competitors." The Japanese now have to turn their attention seriously to their domestic economy, Leutwiler believes, and that is going to make a difference.

"Their infrastructure is lousy, their housing is lousy and I wonder whether in 10 or 20 years time a Japanese worker will still be prepared to go to work when he feels sick and be happy with two weeks' holiday a year."

Europe can learn something from Japanese manufacturing techniques but "the Japanese are not all geniuses and we are not dead yet."

● PERSONAL FILE

1924—Born in Baden, home of Brown, Boveri
1948—PhD in political economy at Zurich University
1952—Joined the Swiss National Bank
1968—Member of the governing board of the National Bank
1974-84—Chairman of the governing board
1982-84—Chairman of the board and president of the Bank of International Settlements (BIS)
1985—Chairman of the board of Brown, Boveri

Jobs for the boys: a modest proposal

JOHN LLOYD

FORGET the marginally falling unemployment figures (which have been so doctored over the past seven years that we scarcely know what to make of them). The core of the problem is those men and women — especially men — left dangling as the settled structure of manual work, which they had thought of as their birthright, disappeared.

In a beautifully written epitaph on his father with which he begins a forthcoming volume of essays, Ian Jack writes: "Few of these workplaces survive. The cargo steamer went to the scrapyard long ago, of course, but even the shipping line it belonged to has vanished. The coalpit is a field. Urban grasslands and car parks have buried the foundations of the mills. The house he grew up in has been demolished and replaced by a traffic island. The school which taught him . . . has made way for a supermarket. In this way, deindustrialisation has disinherited the sons and daughters of the manufacturing classes; a benign disinheritance in many respects because many of the places my father worked were hell-holes but also one so sudden and complete that it bewilders me."

From a family similar to Jack's, I sometimes share this bewilderment—even though the combination of strong family, enabling state and full employment ensured for both of us fairly smooth transition to this lucrative and liberal profession.

Few such transitions have been provided for the young of the manual working class, especially the unskilled. But previously the majority could follow their fathers and mothers into similar jobs. Now at least the men cannot.

So the question of job provision for this class is urgent. Although much has been done since the Labour Government, in the mid-seventies, first fumbled towards employment schemes and training to mitigate the beginnings of the calamity, so swift has the jobs massacre been, that few in the generations which now run things have shaken themselves free enough of recent certitudes to think through what the solutions might be.

Two pieces of research point both to the scale of the problem and to some lines of attack. Professor Ray Pahl, who holds the chair in sociology at the University of Kent, has recently undertaken some fieldwork on the Isle of Sheppey, off the north-east coast of Kent, which has led him to conclude that the "problem of young men's work will be the central one of the decade."

The Isle of Sheppey's economy depends mainly on manufacturing. Employers, as they introduced advanced production technology, shed labour —especially unskilled labour. They agreed to take on young trainees subsidised through Manpower Services schemes. But, Pahl found, they do not really want them. They are thus not being prepared for anything, at least, not for anything on the Isle, which is their home. In the north-east, Frank Coffield, professor of education at Durham University, has come up with broadly similar conclusions.

In the Sheppey case, the MSC, Kent's education service and voluntary agencies have been mobilised to pour expertise, and some funds, into the problem. But while there is much bustle, there remains—as in other blighted areas—a pervasive sense, hopeless and cynical, that the achievements will be very limited.

It is probably not useful to propose still more schemes, since they do not address the issue of what the trainees do afterwards. The approaches now gaining ground are more ambitious, more interventionist, even more idealistic.

One is national community service, an idea championed by Elizabeth Hoodless, director of Community Service Volunteers. CSV has a volunteer workforce of up to 3,000, many work in old people's homes or assist the disabled.

That is small beer so far, but Hoodless's perspective points to a larger plan. She sees a future where an ageing population will place an impossible financial burden on health and social services, which cannot replace human with capital investment. Into that bottomless pit for caring labour, she would send a national taskforce to work alongside professionals. It would not be compulsory, but the aim would be to make it so common a part of the transition from youth to adulthood, so widely seen as a "good thing," that employers would question its absence from application forms.

Pahl's conclusions are complementary. He sees the youngsters of Sheppey, as Coffield sees those in the north-east, as trapped not so much by their unwillingness to leave (though that is a factor) as by the housing market. They simply cannot find affordable rooms in those areas where relative wealth and fuller employment provide the service jobs they can do. Why not, says Pahl, treat unwanted tower blocks in more prosperous areas as halls of residence for the migrant young, in the way higher education students have been provided for over decades?

The ideas have this in common: they inject a sense of adventure, and of discovery, into an areas which is now barely controlled by schemes which mean less and less. They will be at least worth testing by any Government less indifferent or bewildered than the present one. The sense of community which work provides is essential if a more malign disinheritance than that which Ian Jack describes is not to be successive generations' lot.

The author is editor of the New Statesman.

Tax havens appear safe from Labour

JUSTINIAN

IT IS not at all easy to discern how a future Labour administration would be able to carry out its threat to legislate against the ready availability of shelter or nominee holdings of UK companies in the off-shore havens of the Channel Islands and the Isle of Man. If those Crown dependencies were to refuse either to enact protective legislation, or to agree that the UK Parliament do it for them, there would be near-insuperable constitutional obstacles.

The constitutional position of the Channel Islands vis-a-vis the UK is not readily intelligible. In 1066, the conquest of England drew into the Crown of England the Duchy of Normandy, including the Channel Islands. In 1204, the French expelled the English from continental Normandy, but not from the Channel Islands. To this day these islands are attached constitutionally to England, but have never become part of the realm.

In the sixteenth century, Jersey and Guernsey were requested to elect two inhabitants from each island to sit in the British Parliament. This request was denied, and no representative from the Channel Islands or the Isle of Man has ever sat in the UK Parliament. As a result, the Channel Islanders and Manxmen have had no voice in legislation enacted by Parliament or in the making of Orders in Council. On the other hand, Jersey, Guernsey and the Isle of Man have legislative assemblies with elected members.

The Dukes of Normandy had power to legislate without the concurrence of any body or assembly. That power devolved upon their successors on the throne of England, who exercised it both in and out of Parliament.

Today the UK Parliament has the unquestionable power to legislate for the Channel Islands and the Isle of Man, even without the concurrence of the parliaments of those territories. But the power to legislate, at least in matters of internal government, is inconsistent with the right, claimed by the States of Jersey and Guernsey and the Tynwald in the Isle of Man, to participate in legislation specifically affecting themselves. If the UK Parliament seeks to legislate for these Crown dependencies, it can do so only with the consent of the dependencies.

There is a constitutional convention that the UK will not legislate for these dependencies in the absence of their consent. The inflexibility of such a convention was much in evidence during the 1960s when Britain's membership of the EEC was first mooted. The Treaty of Rome provides that it applies to European countries for whose external affairs a member-state is responsible.

UK accession, therefore, applied to the Channel Islands and the Isle of Man, although some modifications were made to accommodate their special position.

A compelling example of the constitutional hurdle to UK legislation for the offshore havens happened a few years ago, when Britain was taken to the European Commission on Human Rights at Strasbourg in respect of judicial corporal punishment in the Isle of Man.

It had been abolished on the mainland in 1948 and the Government proclaimed that it regarded judicial corporal punishment as a violation of the European Convention of Human Rights. Undaunted by this, the Attorney-General of the Isle of Man argued before the Strasbourg Court that the penalty should be upheld in the Isle of Man, where there was a special local problem of violent crime. The Court declined to make any exception to the principle that the use of the birch on convicted offenders was a degrading punishment. Only the British judge, Sir Gerald Fitzmaurice, dissented.

Strictly speaking, the UK Government was bound to comply with the Court's ruling and to persuade the Manx parliament at Tynwald to comply, or to remove the legislation itself. There was no inclination to do so locally, and no consent was forthcoming to legislate at Westminster. The UK Government contemplated, without relish, the prospect of legislating against the constitutional convention.

Before a confrontation was reached, the Government was rescued by the courts. When a case came before the Isle of Man Appeal Court in an appeal against an order of birching, the Court declared that, in exercising a discretion to pass any appropriate sentence, it would invariably enforce the international obligations of the UK.

Without resorting to any legislation, corporal punishment has been made legally invalid and a constitutional crisis was avoided.

No doubt, a future Labour administration would strive to obtain concurrence for extending the scope of certain aspects of company law to the Channel Islands and the Isle of Man. It may find that there is resistance to altering the traditional position of these offshore havens. And in respect of substantive laws that provide a shelter for nominee companies, the courts in these Crown dependencies may be in no position to get the UK off the constitutional book. Those who seek to maintain these offshore havens in their present state may feel reasonably happy that the policy statement of the Labour party in its document, Making the City Safe, does not pose a real threat to the islands' privileged position as attractive financial centres.

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ARGENTINE TRANSPORT

Argentina takes branch line route to privatisation of its railways

BY TIM COONE IN BUENOS AIRES

ARGENTINA'S RAILWAY system, the massive loss-making Ferrocarriles Argentinas which is one of the country's sacred cows, is soon to come under the state auctioneer's hammer.

Its privatisation is an emotive issue, as indeed is the Government's whole controversial programme—launched last year—of selling off or reducing its holdings in a range of state-owned companies.

The 35,000 km (21,748 miles) network stretches the length and breadth of the republic. Constructed largely by British engineers, the system was, until 40 years ago, owned and managed by British businessmen operating rolling stock made in Glasgow, Crewe and Birmingham.

Nationalisation, however, came in 1948, when the populist leader Colonel Juan Peron swept to power, and lent his name to what is still the party of the labour movement (at present in opposition) and who began the country's industrialisation. The railways became a symbol of national prestige and virility.

However, it is worth noting a conversation that took place in 1947 between Colonel Peron, his shrewd economic adviser Miguel Miranda, and the British owners when they sat down to negotiate. The British were asked for a price. "Ten thousand million pesos," they said. In Peron's account of the conversation, Miranda laughed and replied: "I'll give you 1,000 million as we are dealing with a heap of old iron." The British finally settled for some 2,000 million and were paid in grains and meat.

Sceptics of the proposed privatisation plan have similar comments to make of the railway system today.

In fact, the proposed plan is not a classic privatisation. To calm the fears of the powerful railway unions already on a war footing because of major job losses in the industry and facing further cuts, the Government is not selling off any of the actual system, or even its rolling stock. Instead, it is putting various branch lines out to tender, to give the private sector an opportunity to operate its own passenger and cargo services with its own rolling stock, which will then pay a fee for the use of the lines. The first eight branch lines were placed on offer at the beginning of February.

● Former President Juan Peron

Mr Pedro Trucco, the Minister for transport and public works, says that the reason for the privatisation is that the state simply lacks the resources to maintain the network and make the necessary investments to improve the system. The Government as a whole is facing severe austerity measures to cut spending and reduce inflationary pressures within the economy. Capital spending is being reserved only for bare essentials. Despite keen Soviet interest to electrify a major part of the urban routes (one contract was recently approved) Soviet officials recognise that there simply is not the money available from the Argentinian government.

A recent trade union study on the system claims that only 11,000 km of track are in an "acceptable" state, another 14,000 km are in a poor state while another 7,000 km are "unusable." The figures have not been contested by the state company. Rolling stock has fallen by almost a half since 1970, while 6,000 km of track have been abandoned or torn up.

It is a vicious circle, say those who defend the industry. As the service deteriorates through lack of government investment, customers look increasingly to the better and faster services offered by the road network. Road transport has a powerful political lobby—the automotive, rubber, steel, cement and petroleum industries as well as the trucking and bus firms and transport unions. The only political lobby of any weight for the railways are the railway unions with 100,000 members and falling each year.

The manufacturing sector supplying capital goods for the railway has up-to-date technology, is exporting throughout the continent and is winning international tenders against developed country competitors. But it lacks orders from the local market and their annual turnover at US$200m is minuscule compared to the US$6,000m turnover of just the car and petroleum industries in 1985.

Geographically, Argentina like the US, suffers from being a large country and having its population concentrated in a few urban centres with the rest scattered thinly over a vast expanse. Long distance passenger transport has to compete with rapid and efficient air and road transport, and long stretches of track become expensive to maintain with little income.

The traditional cargo traffic of grain and meat is also declining as plantings fall and the herd declines due to protective agricultural policies in the European community and the US.

According to Mr Eduardo Nava, the vice president of the Railway Industries Chamber of Commerce, trains on some major trunk routes have to slow down to 30 km per hour because of the poor state of the tracks. Half a century ago, steam locomotives regularly hauled trains at 80 km per hour between the major cities, according to captions of photographs in the country's railway museum.

Fares, meanwhile, have been kept down to provide an essential social service in some rural areas and to keep living costs down in the cities.

In the days when the system was expanding, large tracts of land were handed over to the British companies to encourage them to build lines into the interior and to encourage settlement. The Argentine central railway, for example, was handed over 1.2m hectares in the last century "of the most fertile land in the country," according to one historical study. Under the later development and competition of the road transport lobby, however, many of those same lines are now expensive loss makers. Total company losses are estimated to be higher than US$1m a day.

Mr Nava therefore welcomes the privatisation plan. "If the state does not have the capacity or money to invest in the system, then allowing the private sector in is an obvious way to improve services and give an impulse to the upstream industries," he says.

However, a long-standing scheme to privatise a total of 25,000 km of routes is not taken seriously. Mr Nava smiles and shakes his head. He thinks that only certain routes will prove attractive, where road services are poor and an unexploited potential remains for certain types of cargo transport.

The Government's aim, therefore, appears to be to concentrate its own investment effort on key urban passenger and rural cargo routes, leaving the private sector to set the pace in standards in service and efficiency with the remainder. The hope is that losses will be cut and that the network will undergo a revitalisation but the idea that a slimmed down Ferrocarriles Argentinas might even in the medium term become a profit-making, golden egg-laying goose seems about as likely that a sacred cow could ever be put to the butcher's knife.

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THE ARTS

Architecture/Colin Amery

Unwelcome Mayfair development

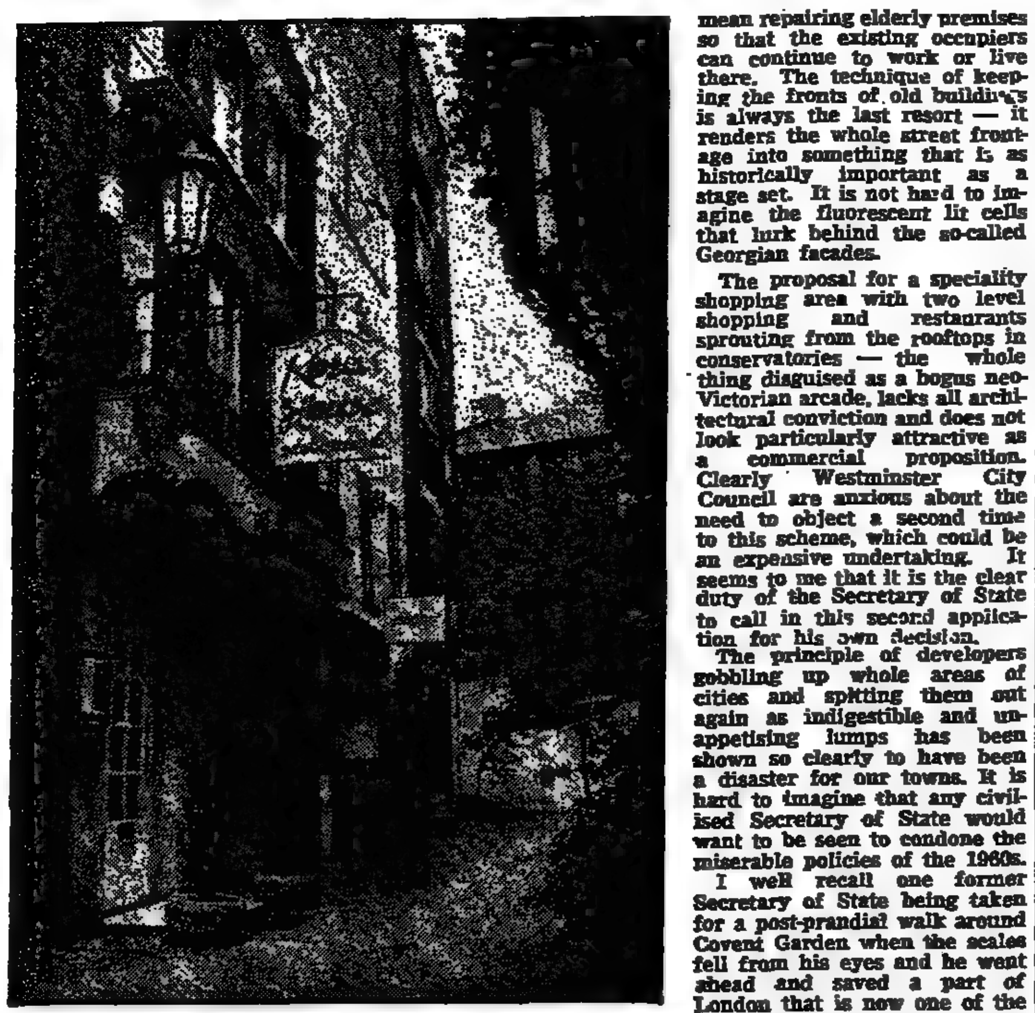
It sounds innocent enough. "Planning Application No. 1895 (29.9.86), 25 Brook Street and approximately 30 others, redevelopment and refurbishment of site bounded by Avery Row, Lancashire Court, New Bond Street and Brook Street."

Behind those bland words lurks an outdated and obnoxious view of how to treat the city. You may have thought that, with the experience of Covent Garden and the success of Terry Farrell's Comyn Ching Triangle near Trafalgar Square, the value of careful restoration had already been thoroughly learned. The late John Betjeman always advocated whenever possible in England's old towns a policy of "patch and mend." He understood and taught others the eternal value of the patina of the past and the point of keeping minor buildings.

This is a lesson apparently yet to be learned in the heart of the capital close to the familiar glossy landmarks of Claridges, Sotheby's and Bond Street. Here the landlords of a small network of streets and alleys—a pattern unchanged since the Rocque Survey of the 18th century—plan to have another go at the imposition of a vulgar and pointless shopping centre which will eradicate all the agreeable scruffiness of the past. It was in 1984 at a Public Inquiry that these inane proposals were first floated by the architects Frederick Gibberd, Coombes and Partners. (These architects are best known for Heathrow Airport as well as the horrendous Roman Catholic Cathedral of Christ the King that sits like a feeble wigwam on Lutyens's superb crypt in Liverpool.)

At that inquiry the landlords, the City of London Corporation and the Co-operative Insurance Society, were told firmly by Westminster Council that the scheme was highly inappropriate. "It is rooted in the design philosophy of the 1970s when comprehensive redevelopment was regarded as the normal approach."

This view was upheld by the Inspector who rejected the proposals. Unfortunately the Inspector's decision left the door open for the developers to have another go providing they did not again go in for "overdevelopment" or threaten the character of Mayfair.



One of the courts and alleys that will disappear if redevelopment proposals near Bond Street are allowed to go ahead

The current proposals being considered by Westminster Council do not have the office content of the old scheme but they remain insensitive and destructive. There are some 24 listed buildings and although there are plans for fashionable facadism they will all in effect become shells, and some particularly interesting panelled interiors will vanish. There are few areas of Georgian artisan London that remain, especially in the heart of Mayfair. The buildings continue to serve their original purpose well. In Avery Row and Lancashire Court there are countless small and useful businesses that feed, nurture and supply the larger businesses of the area. It is possible for couturiers to have a buckle or button made around the corner, for an antique dealer to have a picture framed or a chair gilded, even for a musician to have a violin bow restrung.

If this crude and simple-minded scheme goes ahead the small businesses will vanish or be forced to the outer suburbs. Refurbishment does not usually mean repairing elderly premises so that the existing occupiers can continue to work or live there. The technique of keeping the fronts of old buildings is always the last resort — it renders the whole street frontage into something that is as historically important as a stage set. It is not hard to imagine the fluorescent lit cells that lurk behind the so-called Georgian facades.

The proposal for a speciality shopping area with two level shopping and restaurants sprouting from the rooftops in conservatories — the whole thing disguised as a bogus neo-Victorian arcade, lacks all architectural conviction and does not look particularly attractive as a commercial proposition. Clearly Westminster City Council are anxious about the need to object a second time to this scheme, which could be an expensive undertaking. It seems to me that it is the clear duty of the Secretary of State to call in this second application for his own decision.

The principle of developers gobbling up whole areas of cities and spitting them out again as indigestible and unappetising lumps has been shown so clearly to have been a disaster for our towns. It is hard to imagine that any civilised Secretary of State would want to be seen to condone the miserable policies of the 1960s.

I well recall one former Secretary of State being taken for a post-prandial walk around Covent Garden when the scales fell from his eyes and he went ahead and saved a part of London that is now one of the most attractive and successful parts of the capital.

It is surely only greed that lies behind this revival of a defunct idea for a part of London that simply does not need redevelopment.

What is needed here are some intelligent repairs and improvements. What is not needed is more traffic, more shops that could as easily be in Oxford Street or Brent Cross, or more indifferent architecture. The scale and character of this triangle of London could so easily be enhanced—once it has been redeveloped it will be just like anywhere else and what is the point of that?

Contemporary dances/Apollo, Oxford

Clement Crisp

During its season in Oxford last week—a visit made possible, be it gratefully noted, by Digital's continuing sponsorship of dance—London Contemporary Dance Theatre showed the three latest additions to its repertory. Markedly varied, they were superbly danced. I have little doubt that, in matter of dedication, LCDT stands pre-eminent in the country among our dance and ballet companies through its artists' involvement in what they perform.

When the curtain rose on Thursday night on Siobhan Davies' *Red Steps*, we saw a girl in a red leotard held inverted by a man and woman in black. Behind them was a set of boldly painted panels of abstract shapes and whorls of colour by Hugh O'Donnell, good to look at. From the pit came the first minimalist patternings of John Adams' *Shaker Loops* for string septet. Released from her pose, the red girl started to dance and was joined by two couples in blue and a man in purple. They eddy and spread over the stage while the black pair seem caught in frozen motion.

If I chart these intital activities, it is because we are deep in non-representational country, and Miss Davies is making movement patterns that have a cerebral air. There are handsome duets in the work, but the sum effect is disengaged. The manipulation of bodies, the repetitions of small movement ideas and the transference of dance formulae among the cast, have something of the interest to be found in seeing how an artist puts paint on canvas. Yet any larger concern with the control of these dance particles escapes me: *Red Steps* looks finely calculated but, one has to ask, to what ultimate purpose. We examine the dance carefully, yet it neither flatters its interpreters nor elicits much response from the viewer. To me, it seemed curiously arid.

There could be no greater contrast than the novelties seen on Friday night. Robert Cohan's *Video Life* was commissioned last summer by the Meeting for the Association for Friendship among Peoples, in Rimini, where the theme of the congress was "communications." Cohan has ever shown himself ready to respond to the crises of our age: works as diverse as *Cell*, *Stages*, *A Mass for Man*, have told of the stimulus he finds in the human condition, and of the boldness of his theatrical response. Now, in considering the impact of television on society, he has produced an indictment of the idiot's lantern as a means of numbing us against violence, civil and military.

The stage is set with a mad structure of white poles and hurdles by Norberto Chiesa. It shelters Barry Guy, as on-stage performer of his own bravura exercise for double-bass and pre-recorded tape, and Darshan Singh Bhuller, armed with video camera with which he films the dance. This is shown to us on four television screens placed beside the proscenium arch, but this view of the stage action is massively intercut with newsreel footage of battle, atomic explosions, street violence. (The audience must constantly shift visual attention between stage and screens—no comfortable task, but in a tele-saturated age, no real problem.)

Also seated in the set is Patrick Harding-Irmer, grey suited, as observer and, we assume, common man. The six couples of the cast are first seen in unisex garb of trousers, tee-shirts, black sun-goggles. The action, increasingly frenetic, soon finds them stripped to simpler clothes, and as the film clips develop in horror, so does dance and the implied structure of society become more unstable, more corrupted by screen violence. Harding-Irmer has a brooding solo which he performs with astonishing communicative dignity; after the final cataclysm, explosively staged, he emerges from the wreckage of the set, stripped like a Christ on a medieval altar-piece, scorched by radiation. The cast raise their hands in prayer.

Robert Cohan's "Video-Life"

Video-Life is, of course, both pious and obvious; and, at 40 minutes running time, a quarter too long. Yet given the nature of the commission, it is hard to imagine that it should be otherwise. What sustains interest is Cohan's largeness of imagery, his skill in building emotional tension, and also the quality of performance he inspires from his cast.

About *Irma Vep*, a first acquisition from the American choreographer Daniel Ezralow, it has to be said that its title is a not very good anagram of *Vampire*. And its action is a not very good exploration of the Dracula world. The work starts well, with a woman holding a lamp and moving through the spectral dark of the stage, amid drifting mist and a litter of bodies. At the back of the stage, hanging from a light-bar, with the blood rushing to their heads, are three bat-men. All quite jolly, and amusing enough for a couple of minues. What is not amusing is the use of Bartok's sonata for two pianos and percussion as accompaniment. But once the joke has been told, and fangs sunk a few times into women's necks — the piece should really be called *Our Lady's Jugular* — the comedy seems, with good cause, rather anaemic. There is excellent black and white design, and atmospheric lighting by Mark Henderson. It will, I suppose, make a jolly ending to a programme, but fangs aren't what they used to be.

The Water Carrier/Jeannetta Cochrane

Ronald Crichton

Cherubini's *The Water Carrier*, also known as *Les Deux Journées*, is a post-revolution opera of 1800, long famous for its merits and for the warm admiration of men like Goethe, Beethoven and Mendelssohn. One doesn't often come across it now, except in books. The libretto by Bouilly, another of whose works was a direct forerunner of *Fidelio*, concerns Mikeli, a Parisian water carrier who risks his and his family's lives to save an innocent aristocratic couple, in flight from the police — the husband is smuggled out of the city in Mikeli's water barrel.

The story was based, Bouilly claimed, on a true incident. He thought it prudent to set it in a fairly distant period — the time of Cardinal Mazarin. The sentiments, irreproachably fraternal and libertarian, are expressed in dialogue of a naive flatness which might get by in a simple vaudeville but is nearly fatal to matters of life and death. A revival a few years ago at the Opéra Comique in Paris did not seem to have made up its mind whether to take the piece seriously or not.

Last week's modest but effective staging by Morley Opera produced by Tom Hawkes gave the work straight and showed that, for a sympathetic, not too sophisticated audience, *The Water Carrier* works. Two other institutions were involved. Two students from the theatre department of the Central School of Art and Design, Jon Morrell and Charles Edwards, were responsible for the pleasing sets. The making of their excellent costumes was shared by the Department and the London College of Fashion.

The music needs neither apology nor explanation. The super-classicist Cherubini polished his scores to the last degree, yet the appeal of *The Water Carrier* is fresh and direct. The Morley Opera Orchestra under Stuart Hutchinson started uncertainly but found its feet in Friday's performance after a page or two of the powerful overture. Though the playing as a whole did not always convey the full roundness of Cherubini's masterly writing the grasp of the music's sense and direction was impressive. Apart from a weak moment in the tricky second act the chorus was equally dependable.

Helped by a discreet, unaffected new translation by Jean and Christopher Shaw the soloists successfuly negotiated the spoken dialogue. Lawrence Wallington in the title role managed the difficult episode of Mikeli's last-minute arrival to announce free pardons for the escapers, without raising more than a mild titter — Cherubini unaccountably leaves this climax to the spoken word.

There must be a brief word for Paul Tindall and Tinuke Olafimihan (promising voice) as the threatened aristocrat Count Armand and his wife Constance, for David Pearl as Mikeli's son Antonio, deeply involved in the escape, and for Mark Oldfield as an improbably generous Italian captain. There were two casts for some of the main roles. The production well deserves repeating at a festival of the enterprising kind.

Ariadne auf Naxos/Covent Garden

David Murray

Wildly over-produced by Jean-Louis Martinoty, this *Ariadne* was first seen here in 1985, two years after the Paris original. With a strong cast there were good reasons for hearing it, and good reasons for objecting to the way it looked. The later still apply *en gros*, but in detail Jeremy Sutcliffe's canny revival on Saturday tamed some of the sillier excesses (first-time viewers will find that hard to believe) and generally made the most of a distinguished new cast. It all gels much better, and furthermore it boasts the peerless Zerbinetta of the decade; through grited teeth, I have to say that you should find tickets with all possible haste.

Only Ann Murray's rapt little Composer, sung from the heart, remains from the previous set of principals. The previous Ariadne was Jessye Norman, who was O.T.T. as the prima donna of the Prologue but had the authority to shrug off the infestation of comedians who traduce her "Es gibt ein Reich"; the new Ariadne hasn't, nor has she (bless her) any idea of what going O.T.T. means. Anna Tomowa-Shintow is a faithful, cultivated Strauss soprano: nicely flustered as the prima donna, she expands warmly into her Ariadne once the production gives her a chance. (From March 20 Gundula Janowitz will replace her.) The new Bacchus is a most useful discovery, the American William Johns, whose solid, ringing tenor—not subtle, but dependably lusty—is suddenly in demand for all the heavy-duty roles.

Jeffrey Black's new Harlequin, as personable as Olaf Baer's and less pixie-ish, misfired only in his crucial song (un-honeyed, a little rough). Adrian Martin's stylish Dancing Master doesn't preen unduly, nor do the Comedians (Francis Egerton now joins Kim Begley and Eric Garrett), though they perform their extravagant routines with a will and deliver their music with wit and vitality. Richard Van Allan's Music Master, all benevolent concern and dignity, is impeccable. The efficient Nymphs (Judith Howarth, Linda Kitchen and Clare Moll) need to check their balance in the last, haunting trio-refrains.

The conductor is now Colin Davis. After a curiously thin, ineffectual start for the Prologue, he rose well to the challenge of preserving some continuous musical sense in that tricky act, and the Opera proper moved with lively ungency (at occasional cost to its visionary suspensions). The arrival of Bacchus was rightly exciting, not pompous; later performances may capture more of its radiant serenity as well.

That leaves Edita Gruberova's phenomenal Zerbinetta, whom London is almost the last Western capital to greet. She commands everything that the diabolically taxing role requires—brilliantly secure soprano, rhythmic flair, nudging charm, comic projection—and more: she invests every coloratura ornament and roulade with suggestive meaning, perfectly placed. She took the house by storm. At Salzburg she was unexpectedly touching, too; the huge showoff aria became a sort of professional-confessional, in the manner of standup comedians who turn personal exposure to advantage. Here Martinoty's imposed "business," and her flashy demi-monde trouser-suit, deny her that—it becomes well-practised cabaret. But dazzling, triumphant, not to be missed.

Second quarter at the Coliseum

From April to June the English National Opera is putting on three new productions—including two British stage premieres — three revivals and further performances of Jonathan Miller's *Tosca* and *The Mikado*.

The first new production is Verdi's *Simon Boccanegra* which opens on April 2 for ten performances. Jonathan Summers will singe the title role.

The British stage premiere Dargomyzhsky's *The Stone Guest*, based on Pushkin's version of the Don Juan legend, opens on April 23, conducted by Paul Daniel and produced by Keith Warner. The cast includes Graham Clark, John Connell and Kathryn Harries and the opera will be in repertory with a revival of Jonathan Miller's *Don Giovanni* and use sets based on Philip Prowse's *Don Giovanni* designs.

Shostakovich's *Lady Macbeth of Mtsensk* will be given its first staged performance in Britain on May 22 in its original 1934 version.

Festival appointment

Ken Matheson (44), prominent in Scottish jazz music as an administrator and performer, has been appointed general manager of the Glasgow International Jazz Festival '87, which is being held between June 26 and July 5.

Beached/Croydon Warehouse

Martin Hoyle

Croydon's tiny Warehouse Theatre is coming up fast in the outside lane. Both its keen nose for new writers, and, to judge by its current production, a space-exploiting detailed realism in design rival the champions in these fields at west London's Bush. Once playgoers overcome the psychological barrier presented by the thought of Croydon (but only 20 minutes from Victoria, several Good Food Guide entries), the Warehouse will take its place among London's foremost fringe theatres.

Michael Pavelka's beach setting combines real sand with concrete and piping. We can almost see the plastic bottles, and understand runaway Pete's disappointment when daylight—the first half-hour is playing in darkness—reveals actuality to be very different from idealised memory. For Petet is a romantic who almost swoons when allowed to touch Maria through her clothing; he has brought her here to share "my place—I know I can rely on it." But memory or geography is at fault. "There were more seagulls," he explains lamely.

Cold and squalor undermines the idyll. She laughs at his ambition to "build a camp" from driftwood and polythene. Their unhappy backgrounds emerge. Maria's strutting Italian father, a fish and chip shop owner, is "the Mussolini of Catford." Pete's Mum is a slag. Maria is obsessed with the renegade mother she hardly remembers and dreams of joining her in Canada. Pete is haunted by the violence that precipitated their flight. The perfomances are excellent, the Catford accents impeccable. Leonie Mellinger's pretty little face congeals into hardness; Ian Targett's Pete disintegrates into the panicky, goaded, impractical male.

Celia Bannerman fluently directs this first full-length play by Lewisham-based (so he should know) teacher Kevin Hood. The writing occasionally utilises reminiscence that would be ideal, expressed as interior monologues, on radio; but it is always confident, trenchant and at times uncomfortably accurate. It sometimes touches that stylised, lyrical obscenity familiar from the Barker-Brenton school of playwriting. It never mentions politics but presents problems—the aimless young, the prospect before them—point blank before you realise it. And it has the authentic ring of south-east London, that desperate hinterland with its disinherited, disenchanted and drama critics.

London Symphony/Barbican Hall

Andrew Clements

An evening of Ravel and Debussy for one of George Prêtre's infrequent London appearances on Thursday. The London Symphony Orchestra had retained a good deal of its sharpness from its encounter with Solti earlier in the week; the playing was alert, light-fingered and, occasional imprecisions apart, accurate. Prêtre favours an airy, bass-light sound (to the extent that cello lines sometimes lose definition); he evidently also believes in keeping his players on a long leash expressively, to give the music a mobile, gently varied surface.

His view of both composers proved to be warm and unashamedly sympathetic. *Alborado del gracioso* exuded suavity rather than swagger, and lacked some brilliance as a result. (Should anyone dismiss this as a trifling piece of orchestral skill, the positively vicious account by Rattle and the CBSO heard last year, and shading this one for both intensity and virtuosity, is the corrective.) *Une Barque sur l'océan* was conveyed with a generous broad brush; it is not the most successful of Ravel's orchestral transcriptions, and its cause was not helped here by close proximity to Debussy's *La Mer*.

The school of thought that favours the symphonic implication of *La Mer* over its value as musical landscape might not have approved Prêtre's reading. There was not much sign of bone structure beneath the pleasantly dappled textures, very much the atmosphere of the Mediterranean rather than the English Channel. Two crucial orchestral features failed to tell as they should: the cellos' *divisi* passage in the first movement appeared to come unstuck, and the marvellously fluid oboe solo in the finale remained obstinately earthbound. But once the ear became accustomed to the generalised rather than particular sonorities, the work emerged whole and carefully sculptured.

Ravel's orchestration of Musorgsky's *Pictures at an Exhibition* can in certain circumstances retain something of its Russianness. Here, however, its Gallic flavour was never in doubt; though Prêtre brought "The Great Gate" to a splendidly broad climax, the emphasis was definitely upon elegance and line rather than power and earthiness. "Bydlo" was scaled down; the chicks were restrained. But the coloristic strokes of "Goldenburg and Schmuyle," as well as of the "Catacombs," were beautifully caught. Indeed with a brass section of more bite and firmness the performance might have caught the right balance between the two cultural poles.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

March 6–12

Music

LONDON

Berlin Philharmonic Octet: Mozart and Schubert. Queen Elizabeth Hall (Tue). (928 3191).

City of London Sinfonia and Westminster Singers conducted by Richard Hickox. Britten and Shostakovich. Queen Elizabeth Hall (Wed).

Royal Philharmonic Orchestra conducted by Yuri Temirkanov with Cecile Ousset, piano. Rimsky-Korsakov, Prokofiev and Shostakovich. Royal Festival Hall (Thur). (928 3191).

London Concert Choir and London Bach Orchestra conducted by Donald Cashmore. Joubert and Honegger. Queen Elizabeth Hall (Thur).

Philharmonia Orchestra conducted by Owain Arwel Hughes with Julian Lloyd Webber, cello. Tchaikovsky and Sibelius. Barbican Hall (Thur). (638 8891).

SPAIN

Madrid, Oslo Symphony Orchestra conducted by Mariss Jansons: Weber, Sibelius and Tchaikovsky (Wed). Orquesta y Coro Nacionales de España conducted by Muhai Tang with pianist Dimitri Alexeev: Prokofiev, Rimsky-Korsakov (Wed-Thur). Teatro Real, Plaza Isabel 11.

VIENNA

Vienna String Trio with Kurt Rapf, piano. Beethoven, Rapf, Leonard, Servais. Musikverein Brahms Saal (Mon).

Vienna Academia conducted by Martin Haselboeck. Haydn, Hofmann. Musikverein Brahms Saal (Tue).

Moscow Radio Symphony Orchestra conducted by Vladimir Fedoseyev with Michail Pletniev, piano. Prokofiev, Tchaikovsky, Rachmaninov. Musikverein. (Wed).

Vienna Symphony Orchestra conducted by Gert Albrecht. Wellesz, Bruckner. Musikverein (Thur).

PARIS

Ensemble Intercontemporain conducted by Lothar Zagrosek: Ernst Krenek, Anton Webern, Gustav Mahler (Mon). Théâtre du Rond-Point (4256 7080).

Berlin Octet: Mozart, Schubert (Mon). Salle Gaveau (4563 2030).

Ensemble Orchestral de Paris conducted by Tibor Varga, Daniel Catalanotti, horn: Purcell, Haydn, Tisne, Tchaikovsky (Tue). Auditorium des Halles (4562 6757).

Udo Reinemann, baritone, Hanna Schaer, mezzo-soprano, David Selig, piano: Hugo Wolf's Spanisches Liederbuch (Tue). Salle Gaveau (4563 2030).

Trio Ravel: Haydn, Brahms, Ravel (Wed). Auditorium des Halles (4562 6757).

Itzak Perlman, violin, Sam Sanders, piano (Wed). TMP-Chatelet (4233 0000).

Orchestre de Paris and Ensemble Intercontemporain conducted by Gilbert Amy and Peter Eotvos, Mary Shearer, soprano. (Thur). Salle Pleyel (4563 8873).

Nouvel Orchestre Philharmonique conducted by Mario Venzago, D.W. Johnson, tenor: Mozart (Thur). TMP-Chatelet (4233 0000).

NETHERLANDS

Rotterdam, Doelen. Recital Hall: Schubert piano recital by Imogen Cooper (Wed). (414 2911).

Utrecht, Vredenburg. Recital Hall: Demian Quartet: Mozart (Wed). French and Italian Baroque music performed by La Fontegara Amsterdam: Buonamente, Frescobaldi, Boismortier (Thur). (31 45 44).

Haarlem, Concertgebouw. The Netherlands Chamber Choir under William Christie with vocal music by Sweelinck and his French followers (Thur). (32 09 94).

Groningen, Oosterpoort. Schubert piano recital by Imogen Cooper (Thur). (13 10 44).

Maastricht, Schouwburg. Chamber recital by the Guarneri Trio (Wed). (21 33 00).

Eindhoven, Schouwburg. Viktor Liberman and Jozef Malkin, violins: Spoor, Wieniawski, Honegger, Bartok (Tue). (11 11 22).

ITALY

Rome: Teatro dell'Opera: London Symphony Orchestra conducted by Georges Pretre. Dvořák and Ravel (Mon). (46 17 55).

Rome: Auditorium in via della Conciliazione: Janos Furst conducting Fauré's violin concerto (with Rodolfo Bonucci) and works by Saint-Saens and Bartok. (654 1044). (Mon and Tue).

Rome: Church of S. Agnese in Agone (Piazza Navona): Yan Pascal Tortelier with the European Community Chamber Orchestra. Mozart, Schubert, Haydn and Stamitz (Thur). (68 78 952).

Rome: Teatro Olimpico: (Piazza Gentile da Fabriano): Nasp Ensemble. Mozart, Bulier, Respighi, Weber and Berio (Wed) (39 33 04).

NEW YORK

Vienna Philharmonic (Carnegie Hall): Claudio Abbado conducting with Maurizio Pollini piano. National tour performing the complete Beethoven symphonies and piano concertos in six concerts starts in New York (Tue, Thur). (247 7800).

Music at the Crossroads (Whitney Museum Branch): The third annual American Sampler this week features Kronos Quartet performing contemporary works for string quartet (Tue, 5pm). Sculpture Court, Philip Morris Bldg, 42nd & Park.

New York Philharmonic (Avery Fisher Hall): Leonard Slatkin conducting, Shura Cherkassky piano. Berlioz, Rubinstein, John Adams (Tue); Mstislav Rostropovich conducting. Prokofiev, Tchaikovsky (Thur). Lincoln Center (874 2424).

American Symphony (Avery Fisher Hall): Peter Taboris conducting with 450-voice chorus. Orff, Brahms (Mon). (230 0205).

WASHINGTON

National Symphony (Concert Hall): Christopher Hogwood conducting. Haydn, Villa-Lobos, Stravinsky (Tue). Kennedy Center (254 3776).

CHICAGO

Chicago Symphony (Orchestra Hall): Edo de Waart conducting. Mendelssohn, W. Schuman, Dvořák (Thur). (435 8111).

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FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000
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Israel and the US alliance

"IT IS CLEAR, however, that Israel had its own interests, some in direct conflict with those of the US . . ." That is one of the conclusions, and an inescapable one, of the Tower Report; and, as bad luck would have it, the report was followed within a week by the sentencing to life imprisonment of Jonathan Pollard, who confessed to passing thousands of top-secret US military documents to Israel. Many Americans must have been wondering this weekend what kind of ally they have got in the Middle East, and what kind of gratitude Israel has shown them for the billions of dollars it receives every year in US military and economic aid.

To many professional soldiers and diplomats with direct experience of the US-Israeli relationship, the revelations will have come as no particular surprise. Such people have frequently recorded their chagrin at Israel's failure to reciprocate the openness and generosity with which they treated her, and at the readiness of Israeli officials to cut corners in their single-minded pursuit of national interest. The fact is that Israel has never shown an over-scrupulous regard for American interests when they appeared to conflict with her own.

Heavily dependent

To this Israelis might reply, "why should she?" Does any state put its own interests second when they are in conflict with those of another, even if that other is an ally? The answer is no, but usually a state will find that its own interests require it to take those of others into account, particularly those of another state on whose goodwill it has become as heavily dependent as Israel has on that of the US. That was what Mr Abba Eban, Israel's former foreign minister and now chairman of the Knesset Defence and Foreign Affairs Committee, had in mind when he said last week that the Pollard affair had "harmed Israel's most essential interest —our relations with the friendliest power in Israel's history." He even drew the surprising conclusion that "this is the most difficult moment in the history of Israel's international relations."

Mr Eban's line of reasoning is familiar. It is a line which critics of Israel, and of American Middle East policy, have been taking for 20 years or more. They have warned that Israel would end up by alienating the US, and that the US would bring disaster on itself by maintaining its "unconditional" support for Israel. Their arguments have generally seemed plausible, but their advice has usually been ignored, and so far their dire predictions have failed to come true. The US has continued to support Israel. Though the Middle East has had more than its share of disasters most of them have done little or no direct harm to US interests: the main exception, the revolution in Iran, was only very indirectly related to US policy towards Israel. And though Israel has repeatedly flouted American wishes and embarrassed American presidents, American support for Israel has grown stronger, not weaker.

Public opinion

The reasons are twofold. One is that Israel's Arab enemies generally contrive, without seriously damaging Israel herself, to do themselves enormous and repeated damage in the eyes of Western and particularly American public opinion. A sophisticated argument can be constructed according to which this Arab behaviour is in part the result of Israeli and American policies—but the American public, not surprisingly, has little truck with sophistication of that sort. The other reason is that Israel's supporters in the US are one of the best organised, if not the best organised, of that country's many lobbies. They are able to make life very unpleasant for any news medium that presents Israel in an unfavourable light, and to make election or re-election a virtual impossibility for any politician who suggests even a ceiling, let alone a reduction, on American aid to Israel.

Taken together those two factors explain why even now no elected official or candidate for office in the US is seeking publicly to draw conclusions about the general quality of US-Israeli relations from the devastating evidence of the Tower Report and the Pollard case. The relationship remains a strange one. It would be healthier if Americans approached it in a more critical spirit.

Quick fix for General Motors

AT FIRST SIGHT, General Motors' decision last week to spend \$5bn on buying back its own stock is an admission of defeat by a management that has failed to satisfy the expectations of its customers and employees or live up to the hopes of shareholders in the world's largest industrial company. On closer scrutiny the stock buyback has a good deal to commend it from a financial standpoint, as Wall Street signalled on Wednesday, when it drove up GM's share price by 5 per cent in a single day.

Yet the first impression may prove to be the more accurate. If the buyback turns out to be a substitute, not a complement, for more impressive managerial performance, the consequences will be grave not only for GM's shareholders but for the whole US industrial economy, of which GM is still a very important part.

Most shareholders now believe that they can make better use of GM's surplus money than the company's own management—and on past performance this is demonstrably true. Not only have GM's capital investments of \$40bn since 1980 failed to yield higher profits; it is also unclear why shareholders in a motor manufacturer like GM should have been forced simultaneously to become investors in Hughes Aircraft and Electronic Data Systems, two acquisitions on which GM spent \$7.5bn in 1984 and 1985.

If motor manufacturing is a mature industry which generates excess cash, so the argument goes, it is better if the money is channeled back to the investment market through share repurchases than invested by management in totally unconnected businesses. Yet this dichotomy is partly an illusion. When a company finances share repurchases largely by taking on new debt, as GM is likely to do in the coming years, the net flow of funds to the stock market comes not from the company or its management but from the bond market or the banks.

Shareholders may benefit because debt costs less than equity. But from the economic standpoint, the main issue is what return the management can generate on its present and future capital, not whether this capital is financed by equity or debt.

For several years now it has been apparent that GM's management has lost direction. It has continued to churn out conservatively-designed vehicles which have failed to capture the imagination of the American public. Ultimately, it has been GM's costly and unsuccessful struggle to regain the lost market share which has accounted for the financial disappointment of its shareholders —symbolised by the fact that the company's stock price is lower today than it was 20 years ago. By buying back its stock, GM will undoubtedly increase its earnings per share substantially, since the after-tax cost of the money it uses for share repurchases will be below its present return on equity of 9.5 per cent. However, as a means of raising profits per share, there is a world of difference between the quick fix of reducing the number of shares and the infinitely more complex challenge of increasing the profits from the company's industrial assets.

Cost cuts

Like GM, Ford and Chrysler have suffered heavily from foreign incursions. But they appear to have learnt from the shocks of the 1970s. Not only did they trim their ambitions to the size of the reduced niche in the US market; they also learned to look with more attention — and humility — beyond their own corporations and beyond traditional American solutions in their search for outside suppliers, for technological innovations and for new trends in motor designs.

GM has recently announced plans to cut its costs by \$2bn annually, to increase its use of outside component suppliers and to accelerate product development. So far these plans have not been received on Wall Street with anything like the acclaim that greeted last week's stock repurchase programme. Yet it is the execution of plans like these that ultimately will determine GM's future. Shareholders would do well to keep GM's management firmly focused on its main responsibilities: improving the design, marketing and manufacture of motor cars. In comparison, even the largest share buy-back in history is a trivial pursuit.

THE ZEEBRUGGE DISASTER

IT was the disaster that many feared but no one believed could happened. Staff were still in tears yesterday at European Ferries' headquarters in Tunbridge Wells, Kent, as the loss of the Herald of Free Enterprise on Friday night struck home.

It was an especially mad day for Mr Jimmy Ayers, the company's long-serving technical director, and designer of every European Ferries ship brought into service in the past 25 years. Like other senior managers, including Mr Peter Ford, appointed chairman just three weeks ago, Mr Ayers was trying to explain the inexplicable.

But as Belgian and British officials launched preliminary inquiries, one thing was clear: Britain's worst ferry accident since the war has raised fundamental questions for cross-Channel shipping.

Is the concept of roll on, roll off ferries (known as ro-ros) inherently unsafe? Has commercial pressure on the operators led to skimping on safety, either in design or operation? Why was was the crew of the Herald apparently untrained to cope with getting passengers out of the capsized ship? And how will the ferry industry recover from the accident to face the threat of competition from the Channel Tunnel?

Major strategic decisions also face European Ferries, which was taken over only three months ago by Peninsular and Oriental Steam Navigation, Britain's biggest shipping company. Sir Jeffrey Sterling, chairman of P&O cancelled a promotional trip abroad yesterday because of the crisis.

He will have to decide whether the Herald's two sister ships in the company's Townsend Thoresen fleet should be taken out of service, and what should happen to two new ferries, more than three times as big, due to come into service later this year.

All these issues flow from one simple question: how could a lightly loaded ferry with an experienced crew turn turtle only half a mile from port in good weather and with clear visibility?

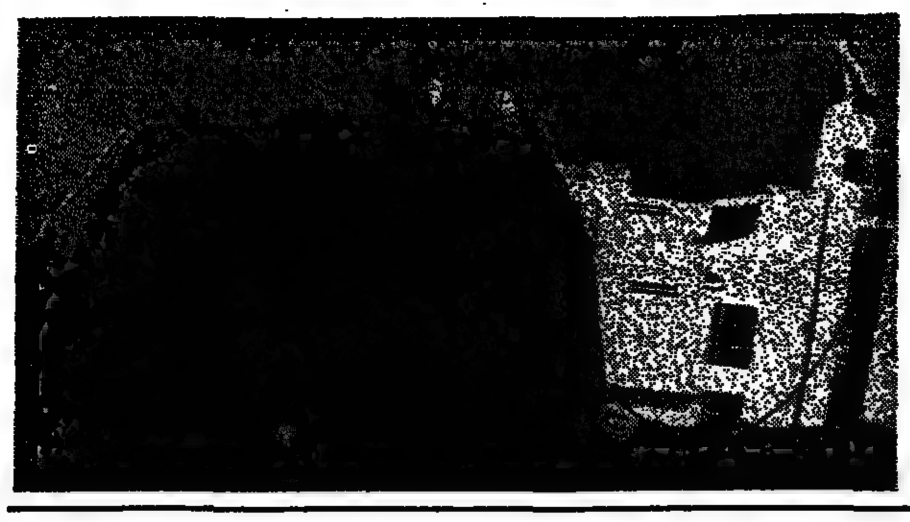
One thing now clear is that the Herald did not collide either with another ship or with Zeebrugge's exceptionally long harbour wall, as first reports indicated.

It may be months before the truth is known, but three possible causes have been identified:

- The bow doors appear to have been at least partially open. This is contrary to company policy, but common practice on many ships in order to clear exhaust fumes.
- A shift of cargo caused the ship to list. It is not clear whether trucks aboard were chained down — a precaution sometimes ignored in good weather.
- The ship hit an underwater obstruction or sandbank. However, survivors say there was no impact before the capsize.

What remains unclear is how it would have been possible for water to enter the bow doors, even if they were open. The lowest vehicle deck on the Herald is some 12 feet above the waterline and, even though the bows would have been trimmed down because of the forward motion of the ship, the calm sea should not have caused any problem.

The most plausible theory is that a fatal series of events was triggered as the master, captain David Lewry, made a sharp turn outside the harbour to avoid strong currents caused by the harbour wall.



Previous ro-ro accidents

Year	Name	Nationality	Location	Casualties
1973	Chrissi Augi	Greek	Aegean	42 on board, 28 dead
1973	Mont Laurier	French	Atlantic storm	22 on board, 6 dead
1977	Hero	British	N.Sea storm	30 on board, one dead
1982	Mekhanik Tarasov	Soviet	Atlantic storm	37 on board, 33 dead
1982	European Gateway	British	N.Sea collision	70 on board, 6 dead
1987	Herald of Free Enterprise	British	Zeebrugge, unexplained	543 on board, 135* missing or dead

* Provisional

The inescapable questions for Channel shipping

By Kevin Brown

It is possible that a shift of cargo caused by this maneouvre increased the natural list of the ship to the point where the bow doors were below the waterline, leading to a rush of water along one side of the deck.

Mrs Margaret Thatcher, the Prime Minister, who was visiting the injured in Zeebrugge over the weekend, said: "It is the accident that should never have happened, but it did. It is the fundamental design of the ferry that I understand is the problem."

At a time when preliminary investigations are just beginning, this may seem an extraordinary comment. But in one sense, the Prime Minister is correct.

The distinguishing characteristic of roll-on, roll-off ships is the use of vehicle decks running the full length of the ship. It is this device which enable ro-ros to carry huge numbers of people and vehicles on rapid and frequent crossings.

But in order to load and unload quickly, the decks are built without the verticle watertight bulkheads which are standard in most other ships.

This means that if water does get into the deck, it flows the full length of the ship, and any list is likely to cause the vessel to capsize.

In the hours following the disaster, a number of organisations called for a full inquiry into ro-ro design, including the National Union of Seamen and Mr John Prescott, a former seaman and now a member of Labour's shadow cabinet, who described ro-ros as "floating holes."

A number of suggestions were also put forward for dealing with an inrush of water, including a device to prevent ships sailing with bow doors open and a compressed air system to force out water.

Developments such as these could help prevent a future disaster on the scale of the Herald of Free Enterprise. But the crux of the problem is not technical but economic.

The plain fact is that watertight, vertical bulkheads would have prevented the tragedy. But they would also prevent the rapid loading and fast turnround times that make ro-ros a commercial success.

Professor Chengi Kuo, a naval architect and head of the department of shipping and marine technology at Strathclyde University, has made an extensive study of the problems of stability in ships.

"Stability of ships is a very complicated problem even in normal circumstances. All sorts of possibilities and risks have to be dealt with at the design stage in order to foresee what the ship might have to cope with. In very complicated passenger vessels the problem is to balance the requirements of safety against commercial considerations, though always within the regulations laid down by the Government and international conventions," he says.

It may be months before the truth is known

"You cannot have a ship that is 100 per cent safe any more than you can have a car that is 100 per cent safe, but you take all the precautions you can, consistent with other requirements.

"It would be possible to introduce vertical watertight sections into the open car decks of ro-ro ships, but it would make loading very much slower, and that would affect the commercial viability of the ship.

"That would mean fewer journeys made by the ship, and possibly fewer passengers and vehicles, reducing revenue to the operator. In a very competitive environment that could make the ships unprofitable to operate."

The design of ships is in essence a process of compromise between requirements such as cargo capacity, fuel economy and safety.

In trying to balance the demands of safety and commercial viability, ro-ro operators have opted to maximise the latter, tilting the scale of value judgments in favour of performance.

It is important to remember, however, that all these judgments are made within the bounds set by national and international legislation. No British ship can set to sea without full design approval from the Department of Trade and extensive checking by the independent classification society, Lloyd's Register.

In addition, checks are made at regular intervals on the equipment fitted, and on the competence and proper training of the crews.

Nevertheless, it is clear that the pressures of competition on short sea crossings have increased the pace at which ships are changing.

The early ro-ros, which appeared in the UK in the late 1960s, were much smaller than today's vessels; usually less than 4,000 tons, compared to the 7,950 gross tons of the Herald of Free Enterprise—a record size at its launch seven years ago.

European Ferries has led the way in bigger ro-ros. It is now in the middle of a £100m fleet expansion programme, in which four ships have been "jumboised" by the insertion of an extra full length drive-through deck.

These two "super ferries," due to enter service in June and December, are under construction at the Schichau Unterweser yard in Bremerhaven, where most of the Free Enterprise fleet has been built. They will be the biggest ships on any short sea service.

Weighing more than 20,000 tons and costing £35m each, the ferries will be able to carry 2,400 passengers and 700 cars —more than twice the capacity of the ill-fated Herald.

Experts dismiss claims that the size of these ships is in itself a danger. They are no more likely to capsize in normal use than similar vessels, though the consequences would be proportionately more damaging.

Whatever recommendations about ro-ro design may be made by the inquiries into Friday's incident, the pressure for bigger ships and faster turnround times is unlikely to ease as competition from the Channel tunnel approaches.

The crux of the problem is not technical but economic

From this point of view, the Herald disaster could not have happened at a worse time. The ferry companies had been convinced they were winning the battle for the hearts and minds of the travelling public.

It will be harder now to claim, as Flexilink, the anti-tunnel pressure group frequently has, that ferries offer a safe alternative to the untested fixed link.

"The Herald incident is going to cast a shadow over the whole ferry industry. The important thing now as far as the ferry industry is concerned is to establish what went wrong and why, and to make absolutely sure that it cannot happen again, otherwise the industry risks seeing customers desert it and back the Channel Tunnel," says Mr Jim Jump, editor of the NUS newspaper.

One issue the ferry operators will have to deal with quickly is the training of crew members, since this is designed solely to deal with emergencies in which access is available to the upper decks.

Mr Jack Kinahan, safety officer of the NUS, has called for an inquiry into training methods to equip crews to deal with future incidents where the ship capsizes rather than remaining upright.

The absence of this kind of training is understandable in that only one British ro-ro, the European Gateway, has capsized before and that was after a collision with another ship.

"Just like mines and aircraft it takes a major disaster of this kind to focus minds on the issues," said Mr Kinahan.

European Ferries, however, has reacted strongly to suggestions that safety precautions on the Herald might not have been all they should have been.

"We have an excellent safety record. We are the market-leading ferry operator. We offer a public service. We do not cut corners and that is proved by our safety record," the company says.

In fact, the safety record of ro-ro ships is remarkably good. Only six have sunk since 1968, of which two have been British, both owned by European Ferries.

The Herald disaster will rightly provoke a searching investigation of the industry's design criteria and safety record but if trade and travel across the Channel and North Sea continue to expand, ferries are likely to maintain a significant share of the market.

Taft v Bass in US bid battle

"Prominent" is the adjective invariably appended whenever the Taft family of Cincinatti is mentioned in the US media. To Dudley S. Taft, who has just jumped into the maelstrom of the US junk bond and leveraged buy-out business, with a \$1.4bn bid to regain control of the Taft Broadcasting Company, the term may not necessarily sound flattering. In a country without an official class system that word "prominent" confers the kind of social status but also carries with it the sort of envy and hostility that the British aristocracy knows too well.

Fortunately for the Tafts, the *nouveaux riche* whose fortunes have been founded on massive financial deals and stock market speculations command even less affection than the old moneyed classes in the US at the moment. In Britain, a family like the Tafts would have had at least an earl or two, plus handfuls of barons, baronets and knights on their side of the financial battle which they have joined against the Bass family of Forth Worth the paragons of "Texas rich" new money. For Taft's clan, frequently described as "Ohio's first family," has included a US president, a famous senator and numerous other lesser politicians and public figures.

"Careful—it might be one of Labour's new city watchdogs"

Men and Matters

Taft Broadcasting, the company from which Dudley Taft was ousted as president last July after Robert Bass quietly accumulated a 20 per cent stake, was created only 40 years ago, when Taft's father, Hulbert Taft junior, decided to expand the family newspaper business by buying Cincinatti radio station.

But the family was already "prominent" before the turn of the century, when William Howard Taft, who became the 27th President in 1908, went into public life as governor general of the Philippines. In fact, it was well over 100 years ago—an eternity by the standards of US high society—that Charles Phelps Taft became one of America's original media barons with the purchase of the Cincinatti Star in 1873.

Today, an even better known political figure than President Taft is Senator Robert Taft, the main author of the 1947 Taft-Hartley Act, which is America's most important labour legislation

But ranged against the Tafts, with their political and social connections, the Bass family has almost limitless financial resources. Since the financial demise of the Hunt family, the Bass brothers control the largest fortune in Texas, estimated by Forbes at \$3.2bn.

If the Basses were united in their desire to win control of Taft Broadcasting, they would undoubtedly be able to do so. The Tafts, by contrast, do not even rate a mention in the Forbes annual survey of America's 400 richest individuals. However, the Tafts do have two other personal factors on their side. The most important is the personal friction among the four Bass brothers. Rivalry with older brother, Sid Bass, is said to have prompted Robert Bass to start stalking Taft in the first place.

There is also another paragon of the new money involved in the Taft battle. This is Carl Lindner, the controversial Cincinatti-based financier, whose American Financial Corporation has been involved in many of the most aggressive bids, deals and junk bond issues ever seen in the US. Lindner does get into the Forbes 400, with a fortune of "at least \$500m" and he happens to have bought up 15 per cent of Taft Broadcasting in the last few months.

If, as expected, he sides with his fellow Cincinattians, blue blood will probably triumph over black gold — and Lindner will no doubt be more welcome than ever in Ohio's most exclusive clubs and homes.

Work-time

Harry Livingstone, president of London Scottish Finance Corporation, thinks he must be Britain's longest working businessman. At the age of 84, he has just completed 70 years—and he still plans to carry on.

Since he started work for the family company in 1917, Livingstone estimates he has travelled 1.5m miles between his home in Southport and his office in Manchester; written more than 250,000 memos; and drunk more than 50,000 cups of office coffee.

He has also seen his company expand from the front room of a house in Wigan into one of the country's biggest independent consumer finance companies with a total staff of 2,600, 99 offices throughout Britain, and annual profits of more than £2m.

"Business has certainly changed," he says. "When I started, all visits had to be made on foot or by tram. It was invariably quicker to walk a couple of miles instead of waiting for a tram. My first birthday present after I started work was a pair of leggings.

"Expenses had to be kept to a minimum. Scrap paper was never bought, but all used envelopes had to be slit open and laid flat. The most we paid for a typewriter was £8—a second-hand Olivetti. When we changed from gas to electricity, the smallest bulb was used and woebetide anybody leaving an unnecessary light burning. Time was not a factor, coppers were.

"Postal orders were carefully sorted. The uncrossed ones were cashed at the Post Office to save bank commission."

And all that time Livingstone spent commuting? Was is not wasted? "Not at all," he says. "We played bridge. We had a pretty good team. We had plenty of practice."

Forward march

News that teachers in England and Wales are going on strike again may have dismayed parents but it has come as a windfall to some hard-up soccer clubs.

The two teaching unions, NUT and NAS/UWT, taking action from Wednesday, have decided to stage rallies of their members at the grounds of Cardiff City, Wrexham, Swansea City, Leeds United and Everton.

Although Everton can hardly be said to lack ability in front of goal, supporters of some of the other clubs will no doubt be expecting their managers to cast an eye over the seasoned strikers in their midst.

Joint approach

Therm-A-Store has been advertising in the Slough Observer for "articulated people" to work part-time in its West Drayton office. The joint, I take it, already has a co-ordinator.

Observer

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FOREIGN AFFAIRS

A hand to play both ways

By Ian Davidson

THE WESTERN ALLIANCE is currently giving the most extraordinary display of division and confusion over Mr Mikhail Gorbachev's offer to conclude a stand-alone agreement on Soviet and American Euromissiles.

President Ronald Reagan is treating it as a triumphant vindication of his firmness and sagacity. Mrs Margaret Thatcher has decided to be enthusiastic in public, but is giving the Americans an earful of her worries in private. The French Government started by being hostile to the whole idea, then decided it would be better to be enthusiastic, and has ended up split right down the middle. In short, the allies are running around like chickens with their heads cut off.

There are two reasons for the dithering and the agitation. The first is that the European members of the alliance are not at all sure that they like the kind of Euromissile agreement which appears to be on offer, and they are not confident that they can persuade the Americans, let alone the Russians, to agree to changes which would make it more reassuring.

The second and more important reason has to do with continuing uncertainty about the Soviet leader's intentions. During all those long Brezhnev years, Soviet policy remained massive, slow and predictable. With Gorbachev, we certainly have a very different style, and a very rapid stream of initiatives.

What we do not yet have, partly because he is such an unfamiliar type of Soviet leader, partly because he is so quick on his feet, is a really confident reading of his foreign policy objectives.

We shall get a much better reading, of course, if the Soviet-American negotiations in Geneva do lead to the conclusion of a separate Euromissile agreement. Mr Gorbachev was outmanoeuvred by President Reagan in Geneva in 1985, and he got his own back in spades at Reykjavik last year; but ambiguity is inherent in all manoeuvring which stops short of a conclusion.

Unfortunately, when we get a verdict in the shape of an arms control agreement in Geneva, we may discover that it is neither the verdict nor the agreement that we wanted; but by then it will be too late.

The Euromissile deal which appears to be on offer is a variant of the zero-zero option first proposed by the US in 1981, and refined at the Reagan-Gorbachev summit last October in Reykjavik. All the Soviet SS20s in European Russia and all the American cruise and Pershing II missiles in Europe would be removed and destroyed. In Asia the Soviet Union would be allowed to keep a residual force of SS20s totalling 100 warheads (or 33 missiles), and the US would be allowed to keep an equivalent number of Euromissile warheads in the continental US.

European governments have two primary anxieties about such a deal, one political, one military. The political anxiety is that the removal of the cruise and Pershing missiles may be tantamount to a reduction in America's commitment to the nuclear protection of Europe. Moreover, these long-range theatre missiles stay well behind any battlefield and may therefore seem less vulnerable and more controllable than short-range nuclear weapons; in that sense they may appear to have greater credibility as part of the ladder of American nuclear deterrence.

The second, more military anxiety is that, if the zero-zero option were the totality of the agreement, it would leave Europe even more vulnerable to Soviet superiority in shorter-range nuclear missiles and in conventional forces. General Bernard Rogers, America's top general in Europe and Nato's supreme allied commander, has said that the prospect of a zero-zero Euromissile agreement gives him "gas pains."

Soviet superiority in short-range nuclear weapons has become more acute since 1983; when Nato started deploying the first Euromissiles at the end of that year, not merely did the Russians walk out of the Geneva negotiations, but they retaliated by deploying additional short-range missiles in Czechoslovakia and East Germany.

Mr Gorbachev has offered some alleviation of the anxiety over short-range nuclear weapons; when he proposed a separate Euromissile agreement 10 days ago, he said that these additional missiles would be withdrawn as part of the deal. They are only part of the Soviet Union's superiority in short-range weapons, however, and European governments are pressing the US to ensure that any Euromissile agreement will also contain provisions to deal with this problem.

But unless the Soviet leadership is anxious to oblige the West, it is not at all clear that the US is in a position to ensure any such thing, because its leverage is almost certainly too small.

The US has been offering a zero-zero option on Euromissiles for the past six years, and despite misgivings the offer has been supported by the Nato allies. Perhaps it was misguided for the reasons outlined above, but it seemed a safe enough position because the Soviet Union was evidently determined to refuse it.

If Mr Gorbachev is now prepared to accept it, it will be too late to put in any very heavy afterthoughts. President Reagan must be extremely keen to conclude a free-standing Euromissile deal, partly because the prospect of an arms control agreement looks like a lifeline to rescue his presidency from ignominy and ridicule, partly because it preserves him from any agonising choices over Star Wars.

Moreover, an agreement to remove all Euromissiles is bound to be very popular with public opinion in Europe, which is the main reason that no West European government can really afford to take too negative a line on the Gorbachev offer. The US negotiations in Geneva may press for ancillary arrangements to deal with shorter-range systems, but it is not likely that they could press so hard as to threaten to block an agreement entirely.

In any case, the Soviet negotiators could outmanoeuvre them before the court of public opinion without too much difficulty: at one extreme they could offer to let the Americans match them weapon for weapon, at the other they could offer to negotiate the reduction or even the elimination of another whole category of weapons.

Both propositions might sound "fair." But given the profound political stresses imposed on Western Europe by the original deployment of the Euromissiles, it is virtually inconceivable that Nato would want to go through the same kind of purgatory for another class of nuclear weapons: whereas the negotiated reduction of a whole category of shorter-range nuclear weapons would merely give additional salience to Europe's vulnerability in conventional forces.

The negotiations may yet break down over on-site verification: if the Americans are to be sure that the Russians have destroyed their SS20s, not just hidden them elsewhere, they will want intrusive verification arrangements which will test Mr Gorbachev's policy of openness to the limit.

The trouble with this kind of analysis, however, is that it may be too military in its orientation and too pessimistic in its political assumptions. We know why President Reagan is delighted by the prospect of a free-standing Euromissile deal; we know why the European members of Nato are resigned to a free-standing Euromissile deal; we do not know why Mr Gorbachev offered it.

As seen from Western Europe, it can be construed as a move which is both astute and aggressive, because it has a good chance of weakening Nato's defensive position and of sowing confusion and dissension among the member governments of the alliance.

From a Soviet perspective, however, it may look very different. Not merely would a free-standing Euromissile deal mean the scrapping of a large force of modern, accurate and expensive missiles, it would also be a free political gift to President Reagan. The Soviet Union can and will continue to withold any agreement on deep cuts in long-range strategic nuclear weapons, unless it is matched by restraints on Star Wars; but its public-relations leverage for securing this much larger prize has been seriously weakened by the offer of a separate Euromissile agreement.

So the first question is this: why has Mr Gorbachev decided to surrender leverage over Star Wars — and why has he decided to surrender it now? After all, was it not possible that, in the throes of the Iran scandal, Mr Reagan might have become desperate for a spectacular coup to restore his prestige, and might conceivably have been prepared to strike a compromise — it would not be difficult to devise one — on Star Wars? If Mr Gorbachev had held his hand just a little longer, might not his patience have been rewarded?

One hypothesis is that, for Mr Gorbachev, the question was already answered at Reykjavik — indeed, that the only purpose of the meeting at the Hofdi House was to elicit an answer to the question. That meeting showed that there was no cut in offensive weapons, however deep, for which Mr Reagan was prepared to surrender a sliver of his defensive dream.

If so, Mr Gorbachev may have decided that, in support of his policy of East-West conciliation, any nuclear arms control is better than none and may start a virtuous circle, that if a deal is to be done with this US President and this US Congress it must be done very soon.

An agreement on Star Wars and strategic weapons will in any case have to wait for the uncertain inclinations of a new president and a new Congress; but in the meantime, a Euromissile deal may be a suitable scene-setter for a more conciliatory relationship, as well as a test-bed for the even more critical verification arrangements that would be needed in a bigger deal.

Moreover, Mr Gorbachev may feel he can afford a comparatively calm view of the prospects for Star Wars. Mr Caspar Weinberger may huff and puff that space-based defences will be deployed in 1993, but neither he nor Mr Reagan will be around when that decision is taken. For the time being, the Soviet Union should be able to count on Senator Sam Nunn, the pre-eminent congressional authority on arms control, to ensure that the US does not break the 1972 Anti-Ballistic Missile Treaty.

An up-beat interpretation of Mr Gorbachev's objectives is not necessarily correct, and it is certainly not the only possible interpretation: on the contrary, he can no doubt play the hand both ways according to circumstances. But we are not yet forced to conclude that a separate Euromissile deal will necessarily threaten Europe's security.

Lombard

Treasury says: 'No, minister'

By Samuel Brittan

TOWARDS THE end of last year, Mr Nigel Lawson, the British Chancellor of the Exchequer, surprised the members of the National Economic Development Council, by calling for an end to national pay settlements, which disregard local labour market conditions and living costs.

His attack on national pay bargaining struck home in the way that generalised exhortations on pay and jobs had failed to do. The worst offenders are of course in the public sector. The Chancellor even gave a hostage to fortune when he told the Financial Times in a New Year interview: "I hope that in this coming negotiation we can for the first time, make a significant move in the direction of regional pay variation in the Civil Service. . . . Certainly we shall try." I remember wondering at the time how far the Treasury, which has now absorbed the old Civil Service Department, would let him do so.

The most detailed follow-up came from Mr Kenneth Clarke, the Cabinet Minister, who is Number Two at the Department of Employment in a lecture in February. Belying his "wet" reputation, he listed all the sacred cows that needed to be slaughtered: the annual pay round, the going rate, national pay bargaining, comparability and the "bogus science" of job evaluation. A lot of thanks he received.

Union leaders, indeed counter-attacked with a little more subtlety than usual, and put it around that the Government had run away and that Mr Clarke was on his own. Last week they had their chance, with the announcement of the Treasury's settlement with the Institution of Professional Civil Servants. The agreement was a tidy-minded substitution of a single national scale for 162 separate departmental ones. It is just about possible to argue that the small print allows for local market-related elements.

But three other events cannot be explained away. A traditional across-the-board offer was made to other Civil Servants of 4 per cent—ie the going rate of inflation plus various trimmings and another 4 per cent on the London weighting; and in response to a question about longer-term arrangements which would take account of "lower wage rates in the north" the Treasury merely referred to "difficult circumstances of recruitment and retention in London and the south east."

Second, a senior Treasury official speaking on the record, but not for attribution, took it upon himself to say, when asked about the IPCS agreement, that the Clarke agenda was "not totally realistic" and added some mandarin remarks about "keeping in touch with the big wide world." Later it was explained that he had really meant that we must move towards the Clarke goals a step at a time.

Third, the subject of pay was on the agenda of the 25th anniversary meeting of NEDC, chaired by Mrs Thatcher; but the main desire was to give the Prime Minister, whose mind is increasingly on her visit to Moscow, a tranquil passage. Neither Mrs Thatcher nor Mr Lawson thus made any attempt to defend market-related pay against attacks from the TUC and cold shouldering of the Confederation of British Industry. With such generals, it would be better not to embark on a war.

There are almost too many morals: the absurdity of the pre-Budget purdah that cordons off the Chancellor from non-Treasury contacts; the cost of not recruiting outsiders to Treasury posts, the failure to appoint a genuine Council of Economic Advisers; and the under-mining of the Treasury's credibility on economic policy by its bureaucratic reabsorption of the completely incompatible Civil Service Department. That is not to speak of the familiar emphasis on the macro-aspects of overall pay to the neglect of the micro.

The main need now is to put out to tender most central government functions, including advice to ministers. Until then I shall believe that the Chancellor means business on market-related pay when he appoints a financial markets adviser earning three times the salary of Sir Peter Middleton, the Treasury Permanent Secretary.

Letters to the Editor

Banks and the FSA

From the Secretary-General, Committee of London and Scottish Bankers

Sir,—Professor Gower (March 2) says that the banks wish to continue to give independent advice even though they are not "independent" but sellers of group products. In fact, banks only sell in-house products where they are suitable for the customers' circumstances. Under SIB's policy if banks continue to sell group products they would not be allowed to look for better deals on the market.

Professor Gower says he finds the banks' stance amusing in view of a meeting he had with them some time ago where he was told that bank branches do not give investment advice. That meeting—held in 1981—was concerned with the banks' activities in the securities markets. Their recollection is that life assurance and unit trusts were never mentioned. For that matter, the meeting occurred before Big Bang had even been thought of and before such developments as PEPs and personal pensions. Professor Gower would surely accept that much has happened in the financial markets since 1981.

K. S. Lucas.
10 Lombard Street, EC3.

Pre-shipment inspection

From Mr J. Dorrell

Sir,—I read, with interest, Nancy Dunne's item from Washington (March 4) "US exporters challenge 'unfair' inspections."

The increasing use of pre-shipment inspection agencies by third-world governments owes its origins to the dubious pricing practices of some off-shore suppliers in the past, encouraged by local nationals with an eye to personal gain. Indeed, there was a time when obtaining an order without over-pricing to include hidden "commission" was extremely difficult.

But those times have changed. Unfortunately, the inspection agencies appear still to be treating contracts with maximum suspicion, and this can be carried to ridiculous extremes, such as when the agency can query prices on a contract funded by a multilateral aid organisation and which has been awarded under an open tender subject to international competitive bidding under the eagle eye of consultants appointed by the aid fund.

Pre-shipment inspection to check on the quality and quantity of goods offered is of course fully justified. And central banks have every right to ensure that they get value for money. But why do they feel that "pre-shipment inspection" is superior to international open tenders procedure in achieving this? Surely the World Bank, European Development Fund, African Development Bank, and similar multilateral aid organisations should take up this matter with central banks?

J. A. L. Dorrell.
(Africa Executive),
London Chamber of Commerce,
69 Cannon Street, EC4

The economic un-dead

From Mr B. Antrobus

Sir,—Canada is negotiating a free trade agreement with our big neighbour to the south. Problems are being revealed which are also a commentary on some of Europe's problems, Britain's unemployed, and the EEC farm policy. Just what is a job or an investment, in economic terms?

If there is real free trade, Canadian brewing faces a disaster. Because of decades of government intervention (it is illegal to carry your own beer across a province boundary!) Canada now has 39 small hopelessly uneconomic breweries, while the huge US is over supplied with just 26. Miller has a single gigantic automated plant in Ohio, which never produced a single commercial drop after it was tested, and then mothballed, which could supply almost two-thirds of the Canadian market at little more than two-thirds the Canadian price. If there was free trade and fairness to Canadian consumers the behemoth should be switched on, but 30,000 jobs and billions in capital investment is "at risk."

Is that the correct way to look at the situation? Why do modern politicians, and newspaper commentators, look at the total of "jobs." I suggest we should look at production, and the efficiency of production. Were all the UK's 3m unemployed really once employed? Do the overdrafts of British farmers, collateralised by EEC payments, represent real money? And the same question for borrowings for the takeover fandango. Do all government employes provide services that would be bought in a free market? No, we are looking at the walking working un-dead.

At the risk of being outre, the comparison is fair. Any support to a less than fully economic sector in society bleeds the economic life blood and the consumer's level of utility from the living part of the system, which then becomes anaemic. Eventually, the living part will be forced into the ranks of the economic un-dead, but politically very much alive! Government policy should be to get the economic un-dead out of their purgatory by policies that move the economic system to maximum efficiency. To do that requires freedom, correct relative prices, and no subsidies of any kind. In theory millions more would become unemployed and the balance of payments would go to pieces. In practice people would adjust, prices would adjust, so that full employment resulted.

B. D. G. Antrobus.
PH3, 65 Huntingdale Blvd, Agincourt, Toronto, Ontario, Canada.

Fully in control

From Mr A. Stobart.

Sir,—Your leading article of March 5 mentioned that "state industry pricing policy is conducted pretty much in the dark." From experience, recently, in British Telecom, the NHS, local councils and industry at large I would go much further. Very few concerns I have met with in the past 10 years of installing control systems have a cost record and control system on which I would place much reliance.

This can be compared to my early training in the chemical industry in the 1950s, where we had standard cost sheets, by product/service, in both things and money, prepared monthly, and circulated no later than the seventh working day after the end of the month. This without computers, just a man and five girls with comptometers. We even got two coloured reports, red figures had to be explained to the next management level up within three days. And reports were viewed down to charge hand.

State, and other, industry does not have an effective pricing policy, and does little or no marginal costing because it does not have systems in place to do this, or staff trained to use them. The success of Japanese industry is as much to do with their cost control systems, as with their management style.

And if any accountant suggests that a "budgetary control system" will serve, I have chapter and verse from a senior member of one of the largest firms of UK accountants, on the basis that control of budgets is not control of costs. And only from controlled costs can one set equitable prices.

Andrew Stobart.
Walnut Cottage, Great Ouseburn, York.

Leyland-DAF merger

From Mr P Oppenheim MP

Sir,—Like many people seeking quick, clean solutions to our industrial problems, Mr Bramall (March 4), puts much stress on "national strategy" in explaining the success of DAF in Holland.

If DAF was part of some Dutch industrial plan in the 1960s and 1970s, as Mr Bramall suggests, why was International Harvester of the US allowed to take a controlling stake in the mid-1970s? IH's later withdrawal from DAF also had less to do with any Dutch industrial plan than with IH's financial problems.

Mr Bramall may be broadly correct in his analysis of why the once powerful UK truck industry fell upon hard times in the 1970s. But in Leyland's case, did not problems arise as a result of just the type of dirigiste government plan for the industry which Mr Bramall seems to be advocating?

The fact is that despite the resources poured into Leyland Vehicles over the past years, it has, for a variety of reasons, failed in its recovery plan. It has recently been losing £1.5m a week; its attempts to penetrate Continental markets have largely failed; and there was little chance of a light truck deal with Volvo or Scania. Over-reliant on declining third world markets and a small player in a heavily over-supplied European market, there is no guarantee, or even likelihood, that further public funding would have resulted in Leyland becoming a "British contender in world markets."

Surely we would do better as an industrial nation to concentrate our resources on the areas where we are successful rather than starving such industries of funds to lavish on failures? Under the circumstances, the DAF deal was probably the best of an admittedly poor set of options. Superficially attractive "industrial strategy" policies are, anyway, unlikely to have any impact, and may be counter-productive, unless our economic fundamentals are sound.

Excellence in education and training, support for business and enterprise, large developed markets in which to sell, and governments which do no grab too large a share of national resources are the factors common to industrial success, not "strategies" and "plans" dreamt up by politicians to be implemented by bureaucrats.

Phillip Oppenheim,
House of Commons, SW1.

FINANCIAL TIMES

Monday March 9 1987

By Roderick Oram on Wall Street

US data unleash a tempest

BETWEEN 8.30am and 9am each weekday in New York, the largest securities market in the world stumbles through a ragged, and sometimes highly strung, transfer of trading between two of the three centres of its nascent 24-hour global operation.

Most mornings it means little to New York dealers in US government bonds and notes that they must bide their time until the inter-dealer brokers who oil their $120bn-a-day market are allowed to begin trading locally at 9am.

But all hell breaks loose when, on a day like last Friday, Washington releases jarring economic statistics at 8.30am. The dealers frantically attempt to adjust their holdings to the unexpected shift in outlook.

Brokers at RMJ Securities, like their counterparts in the other six inter-dealer broking firms, were at their screens on Friday morning when the news flashed up on a huge yellow-green luminous display above their hexagonal trading desks.

February's rise in the number of people employed was double expectations, carrying the implication of faster economic growth, higher inflation and interest rates and hence lower bond prices.

Telephones on the trading desks sprang to life as dealers called in orders. However, the brokers, by common consent in the industry, could not trade for another half hour. The best they could do was funnel the orders through to RMJ's London operations.

However, these are geared to a normal volume of roughly 5 per cent of New York's, not to a half-hour tempest half a dozen times a month. Order execution slowed only a little but enough to wind up some brokers whose livelihoods depend on the reputations they develop with dealers.

As the price of the 30-year benchmark long bond fell almost ½ a point in minutes on its way to a ¾ point loss on the day, the anxiety level rocketed and tempers flared as young, hustling brokers tried to serve their dealers.

A senior partner, once a broker himself, stepped in to exert a cooling influence on the 20 or so brokers around the rim of the trading desk, a scene repeated no doubt at the six broking firms.

The firms are reluctant to begin trading earlier in New York because that would upset their customers in time zones west of New York whose day begins early enough as it is.

The Public Securities Association, which represents dealers and brokers, had petitioned the Government for a 10am release of economic data. However, it was turned down, apparently because the Government fears that the longer it holds the figures, the more likely are leaks – the bond market's form of insider trading.

Many in the industry hope Washington will take a lead in sorting out the conflicting positions as part of its wide-ranging review of the government securities business. Bigger issues under scrutiny include brokers' restriction of their services to the 40 actual and 13 aspiring primary dealers and whether dealers can also be brokers through Liberty Brokerage.

The dealers used the threat of the firm, which they own co-operatively, to force a halving of brokers' commissions in one traumatic month late in 1985. Stringent cost-cutting and the continuing rapid growth in volume have helped repair brokers' profits, as indicated by the price Exco, a leading UK broker, paid for 80 per cent of RMJ last week.

The $79m equalled roughly six times historic earnings of the firm which claims about ⅓ of the brokers' market volume. The purchase meant that three of the top four brokers are now UK-owned.

RMJ's phenomenally fast growth has outstripped even the broking business's rapid expansion. Government bond trading has tripled in the 1980s with about 55 per cent of the present $120bn a day done by dealers through brokers.

RMJ's present senior partners revitalised an existing firm in 1975 with five brokers and three back office staff. Today it has 180 brokers and 125 support staff about half of whom develop and service the firm's computerised trading system, the third since 1976, which is supplied free of charge to the dealers.

For all the banks of screens, it is still a business of clamouring people. "A good broker has to be able to talk and listen at the same time," said Mr Ritchie Jackson, RMJ's chief executive officer.

As the trading day has become longer and more gruelling in recent years, it has taken a greater toll on brokers. At the end of a hard week, particularly one capped like Friday by a glitch in the global market, "these guys can be looney tunes," Mr Jackson said.

Hugh Carnegy looks at the London-Dublin accord following Ireland's elections

Marking time on Ulster peace

BLUSTERY winds tug at the barbed wire defenses around Stormont Castle, seat of the British Government in the troubled province of Northern Ireland.

Inside, Mr Tom King, the minister in charge, and his officials mark time on the implementation of the historic Anglo-Irish agreement, signed in 1985 by London and Dublin in the first concerted effort of its kind for more than a decade to restore peace to the province.

They await the formation of a government they can deal with south of the border in the Irish Republic where, last month, Mr Charles Haughey defeated the sitting administration in a general election, while failing to gain an overall majority.

The way in which Mr Haughey, a more strident supporter of Irish unity than his predecessor, implements the Anglo-Irish agreement is crucial to Britain's efforts to contain the threat from the Irish Republican Army (IRA) and its supporters.

The relative inactivity at Stormont contrasts with the tensions of a year ago when, on March 3, a day of action by Protestants against the accord brought the province to a near standstill with roadblocks, intimidation and violence.

Part of the more relaxed air at Stormont now is because there is no similar confrontation, and also because of a feeling that the unionists are increasingly preoccupied, in the words of one, with tearing each other apart rather than attacking the Government.

The unionists can claim some credit for sustaining their campaign against the agreement. The pact between the Official, or moderate, Unionist Party (OUP) led by Mr James Molyneaux, and the Rev Ian Paisley's more extreme Democratic Unionist Party (DUP), which bitterly opposes compromise with Ulster's Catholic minority, has had some effect.

More protest and civil disobedience campaigns are promised in the spring and summer when another round of street battles seems inevitable.

Recent developments within the Protestant camp, however, signal deep turmoil over how to confront the agreement now that it has been in place for 16 months and is unlikely to be "smashed" in the dramatic way loyalist leaders promised their followers in the early months.

Democratic Unionist leader Ian Paisley: bitterly opposed to compromise

The Protestants or "loyalists" of Ulster, descendants of tenants originally brought in by English landlords, have traditionally had no reason to question their allegiance to the British Crown. Efforts to persuade, or force, them into a closer relationship with the Irish State, let alone a united Ireland, have withered on the vine.

Increasingly, Unionists are admitting that at least one effect of the agreement has been to stun them into realising that their position within the UK has been challenged as never before and will never be the same again.

"We have been traumatised and that is why there is a fragmentation of opinion on what to do next," a senior DUP figure said.

In a sense, the trauma began long before the Anglo-Irish agreement. Although it was the final blow, as far as unionists are concerned, because, for the first time, it gave Dublin the formal say in the affairs of the north which loyalists have always flatly rejected.

Since "the troubles" erupted in 1969, the Protestant-unionist community has seen its control over Northern Ireland, in place since Irish partition in 1922, steadily eroded. They lost their own parliament when Britain introduced direct rule in 1972. Since then, they have watched more and more influence over the running of the province slip from their grasp as London grew ever more impatient with successive rejections of attempts at reconciliation.

Now they feel as isolated as the Catholic-nationalist minority under the old regime. Once Unionists relied on the link with British parties, especially the Conservative Party, to underpin their political strength. Now they are excluded from decision making on any terms they find acceptable and, as they see it, are treated with contempt by the British Government.

The OUP and the DUP, the two main unionist parties, which had a history of bitter enmity, banded together when the agreement surfaced. They became the focus of the campaign against it. But it has been an uneasy alliance.

Long-standing tensions between them have emerged most clearly in the local councils. A significant number of official unionists have rebelled against the policy of disrupting council business, to the fury of the DUP, which is committed to halting what local government there is in the province.

The leaders of both parties insist that these squabbles are no threat to overall unity, which rests on the determination of Mr Molyneaux and Mr Paisley. The two appear to have lasted the pace as a team better than many had expected.

However, a move within the hard-line DUP to oppose several OUP members of parliament in the next British general election will severely test any claims to unity. The OUP wants all 14 unionist MPs – 10 OUP, three DUP and one independent unionist – to have a clear run. But at least three OUP members are being targeted by a strong faction within Mr Paisley's party because of their perceived weakness in campaigning against the agreement.

While the two parties grappled with such issues – the OUP has still to resolve an acrimonious internal debate on whether to embrace devolution or full UK integration as its policy – they were wrongfooted by a document produced in February by the Ulster Defence Association (UDA) the province's biggest Protestant paramilitary group.

"Common sense," as it was titled, proposed a devolved "power-sharing" government for Northern Ireland under a written constitution with a bill of rights. The document was greeted with considerable scepticism since the UDA was primarily responsible for the wrecking of a power-sharing arrangement in 1974, and is associated with many acts of violence against the nationalist community.

However, it was welcomed tentatively by the British and Irish governments and the main nationalist, and predominantly Catholic, party, the Social Democratic and Labour Party, as a sign of positive thinking among loyalists. It also showed an impatience with the two main parties among many unionists who, although they remain utterly opposed to the agreement, feel the "Ulster says no" campaign is getting nowhere.

Since the appearance of "common sense," a joint task force has been set up by the two loyalist parties to sound out the unionist community in search of an alternative to the agreement which would have broad support.

It is tempting to see this as a small step towards a break in the Ulster deadlock. But the gulf seems as wide as ever because the unionist terms for talks are still a suspension of the agreement while an alternative is discussed. Equally, the British Government – and the SDLP – is adamant that the agreement is here to stay.

THE LEX COLUMN

Banks count the cost of capital

The fallacy that equity capital is a cheap form of funding has long since been exploded. The calculation of the true cost of equity is an exercise perhaps best left to mathematicians, who can squabble over their methods. And to many companies it does not much matter what the exact figure might be. But to the banks the question is crucial because their balance sheets, and hence a large part of their businesses, are skyscrapers of loans constructed on the foundation of equity.

There has been a growing recognition by the clearers, prompted by the Bank of England's increasing emphasis on primary capital in the measurement of banks' strength, that the return on equity capital is a key ratio.

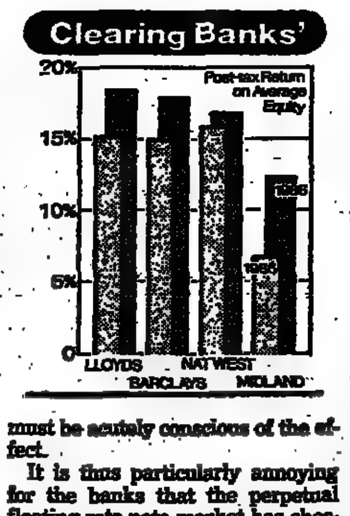
All four made clear with their preliminary results that a prime objective was to sustain or improve that return. Gone, apparently, are the days when merely building up the balance sheet was every banker's aim. And no wonder that "other operating income" has become a more important line in the revenue account.

Lloyds Bank has led the way by publishing an estimate that its cost of equity capital is 17 per cent. This figure, supplied to Lloyds by the London Business School, is based on the yield required by the market for a notionally risk-free investment, gilt-edged stock, plus a risk premium calculated by reference to market and share price volatility.

This might not be a fashionable method during a raging bull market, when reminders of the risks inherent in investment are unwelcome, and it so happens to produce a figure conveniently below Lloyds' after tax return on equity of 18.5 per cent. Nor does it bear much relation to the immediate payout on the shares. But in the sense that it represents the return demanded by investors before they will put their capital in Lloyds' rather than anyone else's hands, it provides Lloyds' management with a valuable financial discipline.

Earning a return greater than that cost of equity could prove tougher as the banks increase their capital bases while the new capital adequacy rules are phased in. New capital cannot in practice be put to full use straight away. National Westminster's rights issue last spring surely restrained the rise in its after-tax return and Midland must be acutely conscious of the effect.

Clearing Banks'



It is thus particularly annoying for the banks that the perpetual floating rate note market has chosen this period to perish. It became even more clear as prices of these instruments tumbled, that they had provided an exceptionally cheap form of primary capital.

Indeed, in so far as perpetuals could only be counted as primary capital because they were akin to equity, even though they masqueraded as debt, their yields were so far below Lloyds' theoretical 17 per cent that the investors who bought them cannot be as sophisticated as supposed.

It may be that some new instrument can be devised to take their place in the primary capital hierarchy, but whatever it is will be more apparently equity and therefore more expensive.

At the same time the uncertainty created by Brazil's decision to stop paying interest to banks on all but short term loans poses a threat to banks' capital bases. With Brazil's debt quoted at 68 per cent of face value and Mexico's at 58 per cent in the secondary market, the banks are arguably underprovisioned on their loans to rescheduling countries.

In the very unlikely event that the worst comes to the worst, the banks' primary capital would start to be chipped away. And if the foundations shrink, the upper storeys have to reduce at up to 20 times the rate.

Portfolio hedges

Before you go to pray tether your camel. Institutional response to the current marketing of "portfolio insurance" in the UK could provide an interesting guide to the quality of faith in the bull market. The technique, familiar in the US for more than two years, should permit a fund to invest over a 12-month period (or longer) with almost zero possibility of loss while enjoying 75 to 85 per cent of any market gain. This "locking in" of gains is achieved through buying and selling stock index futures following a complex mathematical formula; the effect is to invest in equities as the market rises and increase liquidity as the market falls.

The idea may seem rather simple, but the methods have taken years to develop. Nevertheless it has now taken off in the US with close to $80bn (6 per cent of all pension fund assets) covered. In fact it may have gone too far in the US and is certainly contributing to futures market volatility or "price skid."

In the UK the worry is that the limited depth of the FT-SE futures market will restrain growth; but since Big Bang there has been a noticeable increase in futures activity and at least one firm is now arbitraging the share and future markets. County Investment Management and Barings – the two front-runners in London – are also hoping that the UK's supposedly greater susceptibility to economic and political shocks may provide some robust demand, particularly so close to an election. The insurance could, however, prove rather expensive if there is only movement within a narrow band.

The nuclear physicists and mathematicians ("quants" in the trade) who are taking over the City have run the numbers through their computers and shown that a protected fund that started in the early 1970s would have outperformed the market by about 5 per cent a year. In 1974, when the market fell 53 per cent, a protected fund should have risen 0.4 per cent and in 1975, when it rose 150 per cent, a protected fund would have risen 123 per cent. The Barings fund, which is launched at the end of the month, is designed to allow funds to dip a toe in the water with relatively small commitments. In the longer run they hope their model hedging ratio of 65 per cent shares to 35 per cent cash will replace the standard equity: gilt weighting. The trouble, as with many a hedging product, is that effectiveness may well diminish with greater market penetration.

Plessey expected to announce overseas orders for System X

BY TERRY DODSWORTH AND DAVID THOMAS IN LONDON

PLESSEY, the UK electronics group, is expected to announce the first significant overseas order for Britain's System X digital telephone exchange within the next few days.

The company is close to agreement with Colombia, where it has been competing with several companies including Ericsson of Sweden, and NEC of Japan, for a contract valued at about £10m ($15.8m).

Ericsson, manufacturer of the AXE exchange, which is also sold in the UK, is believed to have dropped out of the running

A successful completion of the negotiations would mark an important breakthrough for System X, which has so far made virtually no impact on the international scene. The only overseas order for the exchange until now has come from the West Indian island of St Vincent.

Plessey and GEC, the diversified electrical group which has shared in the cost of developing System X, need overseas orders both to build up credibility for the product and generate additional revenues.

A larger workload, adding to System X deliveries to British Telecom which are not running at a high level, is regarded as critical in the industry to generate the funding for continuing improvements of the product

Plessey declined to comment on the state of the negotiations in Colombia. However, Sir John Clark, Plessey chairman, mentioned three countries – Colombia, China and Bulgaria – where Plessey hoped to win orders for System X.

Mercedes under attack on quality

By Peter Bruce in Bonn

DAIMLER BENZ is West Germany's biggest and richest company and claims to build the best cars in the world. Driving a Mercedes Benz used to be, and probably for most people still is, a dream.

However, the company has had a rocky start to the year, culminating in criticism of the quality of its cars this month by the official magazine of the German Automobile Club (ADAC).

ADAC's magazine, Motorwelt says: "Hardly a day goes by when one doesn't hear about problems with the 124 range (200–300E)."

Adac says technicians complain about some of the company's "star" cars. For example, on quick acceleration, the 300 D's entire drive unit and rear axle is prone to bumping up and down, so that the car jumps.

The organisation says: "On all models owners often report a banging in the rear axle. The windscreens develop cracks and sun roofs rattle and do not close properly."

The magazine says, that companies sometimes build a "dicken Hund" – a lemon – but what is important is how these are exorcised. "The rate of complaints is probably no higher than with other marques, but then more is expected of Mercedes."

Much of this has been heard at Daimler before. Towards the end of last year, taxi drivers were reporting mechanical faults with the 200 series.

A Daimler official said: "We don't deny that we had problems but they have been solved." The Adac remarks, he said, were "stale gossip." In fact the country's premier commercial car magazine, Auto Motor Sport, ran a cover story in January on Mercedes defects.

Motorwelt said that its criticisms had appeared so late because, unlike taxi drivers, Adac members have only recently begun to complain about their cars.

If it were not enough that questions about the quality of Germany's most prestigious cars continue to bubble to the surface, there is also criticism of the board and of the present chairman and former research and development, Dr. Werner Breitschwerdt.

"It's a constant topic (in the media)," sighs a Daimler official.

Courtaulds may attempt to buy Du Pont acrylic fibre division

BY MARTIN DICKSON IN LONDON

COURTAULDS, the British textiles group, is understood to be considering making an offer for the acrylic fibre division of Du Pont, the American chemicals group. It is one of a number of options being considered by Courtaulds for expansion in the US.

Such a purchase would be a significant strategic initiative by Courtaulds, which has undergone a major programme of retrenchment and rationalisation over the past five years under the chairmanship of Sir Christopher Hogg.

It signalled a return to a more aggressive, acquisitive stance last November when it launched a successful £39m ($61m) takeover bid for Fothergill and Harvey, the advanced materials group.

Courtaulds is the world's biggest manufacturer of acrylic fibres, which are particularly suitable for the knitted goods industry. Its output last year is estimated to have been about 190,000 tonnes, giving it a quarter of the European market and a slight lead over its nearest rival, Bayer of West Germany.

Du Pont is one of the leading US manufacturers of acrylics, through its registered product Orlon. However, Du Pont's greatest strength in textiles is in nylons, the product it discovered in 1938.

The US textile industry is currently undergoing a major process of rationalisation, in the face of cheap Third World imports, with manufacturers tending to concentrate on higher value-added products in which they enjoy a strong advantage. As part of this process, Du Pont might be prepared to dispose of its Orlon operations.

The European textile industry has undergone a similar rationalisation in recent years and it was this which led Courtaulds to its pre-eminent position. Until 1984 it supplied demand from factories in Grimsby in eastern England and Calais in France.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	8	46	Dubrovnik	S	1	34	Malta	C	10	50	Rhodes	F	7	45
Algiers	C	17	63	Edinburgh	C	3	37	Manchester	C	3	37	Rio de J'o	—	—	—
Amsterdam	S	0	32	Faro	C	17	63	Manila	—	—	—	Rome	S	6	43
Athens	S	5	41	Florence	S	7	45	Melbourne	—	—	—	Salzburg	S	-2	28
Bahrain	R	23	73	Frankfurt	S	0	32	Mexico City	—	—	—	San Francisco	—	—	—
Bangkok	—	—	—	Funchal	F	19	66	Miami	—	—	—	Seoul	—	—	—
Barcelona	C	14	57	Geneva	C	2	36	Milan	F	2	36	Singapore	—	—	—
Beirut	—	—	—	Gibraltar	S	17	63	Montreal	—	—	—	Stockholm	S	-5	23
Belfast	C	5	41	Glasgow	C	2	36	Moscow	S	-1	30	Strasbourg	S	2	36
Belgrade	F	-6	21	Guernsey	C	6	43	Munich	S	-3	27	Sydney	—	—	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Readings at mid-day yesterday: C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Speculation in Haughey vote

Continued from Page 1

weeks, said that Fine Gael would not "set traps" to down a Fianna Fail minority government. "It would be totally contrary to the national interest and I suspect to our own party's interest to do so," he said.

It is not clear what will happen if Mr Haughey is defeated. The constitution is unclear about a position where parliament has failed to agree on a Prime Minister. Fianna Fail insists that another election would have to be called, which it believes, probably correctly, would favour the party. But Dr FitzGerald, who would continue as acting Premier, has indicated that he would not feel obliged to ask the President to dissolve parliament.

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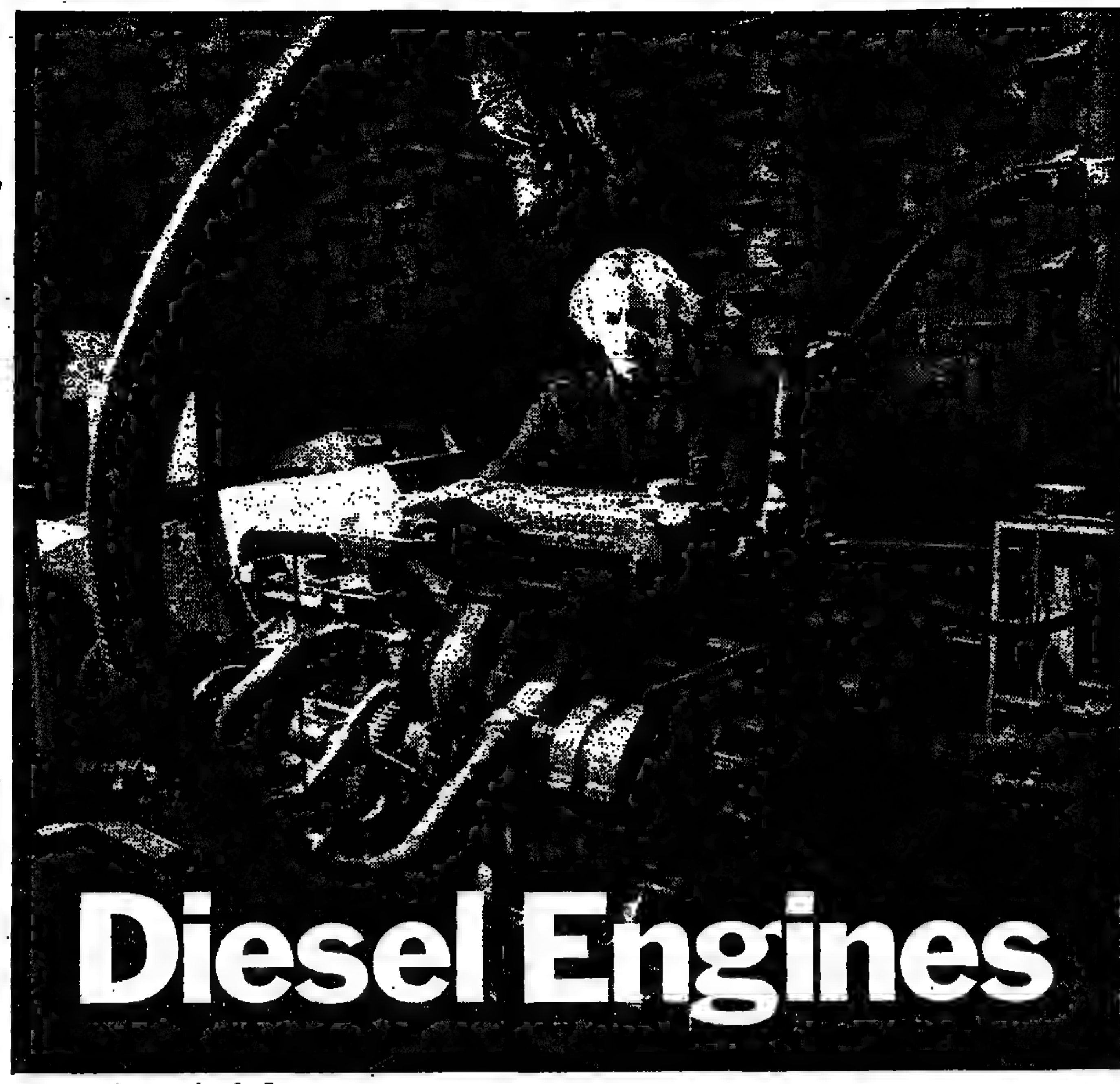
SECTION III
FINANCIAL TIMES SURVEY
Monday March 9 1987



Diesel Engines

Engine test in a soundproof cell

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The need to shed jobs and bring in new manufacturing processes is changing the industry profoundly. Sales are rising for some applications but declining for others, in a total market where the 300 producers are struggling with over-capacity of 40 per cent.

Mergers mark the turmoil

THE DIESEL engine industry is being subjected to some of the biggest changes and, in many of the markets it serves, some of the severest pressures in its recent history.

On the face of it the overall picture looks quite healthy. Total world production of diesels has grown steadily over the past few years to about 12m units last year.

This growth, however, has been largely concentrated in one sector, cars and light vans. These now consume about 20 per cent of the industry's unit output, the third biggest applicaton for diesels after trucks and agricultural equipment.

The rising penetration of diesels in private cars has helped to make PSA (Peugeot-Citroen) of France the world's largest producer of diesels, ahead of Volkswagen and Fiat.

In many other applications, however, such as commercial vehicles and construction equipment, demand for diesels is rising only slowly from the deeply depressed levels of the early 1980s. In agricultural equipment, now into its sixth consecutive year of declining demand, diesel sales continue to slide.

Diesels range from fractional horsepower units to engines of several thousand horsepower, for use mainly in ships. Trucks accounted for 35 per cent of sales (1985 figures), according to Planning Research and Systems, a London-based firm of consultants specialising in engines, while agriculture took 27 per cent.

Other applications include industrial equipment such as pumps and compressors (7 per cent), construction equipment (6 per cent) generating sets (3 per cent), marine (1.6 per cent) and locomotives (0.1 per cent).

A combination of gross worldwide production overcapacity, rapacious discounting by Japanese producers, led by Komatsu, and head to head battles between US and European makers of "loose" engines for *sales to truck, construction and* other machinery builders has resulted in fierce pricing wars in some horsepower ranges.

The large integrated truck producers, manufacturing their own engines, have been protected to some extent from this turmoil. This includes most of the European truck industry.

Elsewhere, however, in the ranges between 70 and 400 horsepower, prices are between 15 and 30 per cent below what they were three years ago.

These pressures have encouraged a number of mergers and take-overs. The biggest of these *last year was the combining of* the diesel businesses of General Motors and John Deere, the world's largest agricultural machinery maker in a joint company called Dedec.

In the UK, Perkins, the diesel manufacturing arm of the Varity Corporation (formerly Massey-Ferguson) purchased L Gardner, a small manufacturer of high-quality engines for the coach, truck and marine markets. This followed Perkins acquisition in 1985 of the Rolls-Royce engine business in Shrewsbury, England.

In the rest of Europe, Deutz *bought MWM in West Germany,* Lombardini in Italy acquired Slanzi, and a few small Scandanavian engine makers changed hands.

Some of these moves were defensive. For example, Deere's engine output has fallen by a half in recent years while Detroit Diesel Allison (GM's diesel division) suffered a long and disastrous slide in the US heavy truck market in which it took 40 per cent of sales 15 years ago but is now down to 5 per cent.

Other forms of restructuring have been framed to give one or *both companies involved in the* deal a broader product range. The most striking example of this occurred in the early 1980s when Cummins, the world's largest independent engine maker and JI Case, the US construction and agricultural machinery producer set up a joint venture at Rocky Mount, North Carolina, to manufacture a new series of 60 to 250 hp engines.

Cummins, over-dependent on high horsepower engines, was in need of smaller units to take advantage of growth in this sector in the truck and construction *equipment markets. Case was* anxious to acquire more modern engines for its own equipment.

"There is an industry move towards a few serious players with a wide product range," says Mr John Devaney, managing director of Perkins.

That might be so but despite rationalisation and mothballing of some production plant, overcapacity in the world diesel industry remans at about 40 per cent. There are still 300 or so diesel engine producers, 250 of them making engines other than for their own use and there have been no major company collapses.

Moreover, new capacity is coming on stream. Honda is due to begin manufacture of car diesels next year. Caterpillar, the US earthmoving equipment maker, will start producing this year its new 80 to 210 hp engines at its Gosselies plant in Belgium which will be sold in the already saturated medium weight truck and construction equipment markets where prices are so weak. Dedec will also begin selling its new 250 to 400 hp series 60 engines.

JC Bamford Excavators of the UK has produced an engine of 70 hp in non turbocharged form on co-operation with AVL of Austria but has yet to decide whether to go into production with it.

Two thirds of diesel engine sales are in the 50 to 500 hp range with the healthiest growth between 50 and 100 hp. Under 10 hp diesels have tended to lose ground against petrol engines, especially in small agricultural machinery. Small engines up to 30 hp are dominated by the Japanese, mainly Yanmar and Kubota.

Japan remains the largest supplier of diesels but its slice of the global market has fallen slightly over the past three years. It had 20 per cent of sales in 1979, 25 per cent in 1983 but this has fallen back to about 23 per cent mainly because Japan is an insignificant producer of diesels for cars.

Western Europe accounts for more than three quarters of all car diesels. Italy, where diesel penetration is over 25 per cent of domestic car production, according to PRS, and France, where it has increased from less than 10 per cent to more than 15 per cent in three years, have shown the most significant growth.

By comparison the US car industry, still somewhat soured by the introduction of a disastrous 5.7 litre GM diesel in 1979 has seen diesel penetration slide since the turn of the decade from 6 per cent to 0.5 per cent.

In commercial vehicles, where the struggle is between integrated truck producers making their own engines and "loose" engine makers supplying to non-captured markets, the ground has hardly shifted. Europe is dominated by integrated producers and this has been reinforced by the purchase of a controlling share in Leyland Trucks of the UK by Daf, the Dutch truck builder which makes its own engines.

In the US, independent engine builders, in particular Cummins, have held their own against the beachheads secured by European truck builders which purchased three American truck makers in the early 1980s.

The pricing pressures on engine makers selling in the open market—much of that pressure coming from the Japanese and from the way Cummins reacted to it by steeply reducing its own prices—has resulted in some sweeping cost-cutting drives involving plant closures and labour shedding. The Japanese have coped with the same pressures by lowering their costs bases through more outsourcing of work to subcontractors paying lower wages.

Few major technological developments have been made in the diesel industry since the introduction of direct injection a few years ago. Yet, paradoxically, many diesel producers say technology will become increasingly important in the battle for markets.

Manufacturers are continually improving the amount of power a diesel will deliver for a given engine weight—it has increased by 15 per cent or so in the past few years for truck engines in the medium power ranges—as well as increasing fuel economy and emission control.

Complex electronic management systems, similar to those used in some high-performance cars, are under development for diesels in commercial vehicles. There is also the prospect of long-term monitoring by satellite of diesels used in expensive earth moving equipment operating in isolated areas, rather like the monitoring of gas turbines on oil or gas pipelines.

The turbo has now given the diesel acceptable performance in private cars and there is still excellent growth potential for this form of power. Unit sales of the diesel are still only a sixth of those of the petrol engine but it now finds a place in some of the most expensive luxury automobiles as well as in more traditional machinery for which it has no real rival.

Nick Garnett

Technical developments

Evolutionary changes to the basic design

RUDOLF DIESEL'S first engine, built in 1893, never ran under its own power and several difficult steps were needed in the technology of fuel injection, pistons and bearings before the diesel became a viable power unit.

Since then, however, the diesel engine has matured to the stage where further advancement is by relatively small, evolutionary changes. These are often driven by changes in environmental legislation, as well as the need for greater efficency.

The efficency of the diesel means that it is now accepted as a passenger-car power plant which can give the real user 30 or 40 per cent improvement in fuel consumption compared with an equivalent petrol engine.

But the success of the diesel in this application is forcing manufacturers to strive to introduce engines indistinguishable from their petrol counterparts since the diesel customer is no longer only the taxi driver or diesel enthusiast. The passenger car diesel of the next few years will be driven by three main factors—performance, refinement and emissions.

Performance means that the modern, boosted engine must produce over 45 hp/litre. Today, this is achieved by indirect injection engines which spray the fuel into a pre-chamber. The indirect injection engine is acceptably quiet but not as efficent as the direct injection system used in most truck engines, the Ford Transit van or the Perkins Prima engine.

Improvements in injection equipment such as the use of unit injectors (combined pumps and injectors in one unit) and electronic control promises to raise the power output of the direct injection engine to the same levels as those achieved by the indirect system.

The same developments should also avoid the usual direct injection noise problems. The diesel car driver will then be able to look to a further 10-15 per cent fuel consumption improvement with an engine as refined as the best indirect injection systems.

The fuel pricing policy of most Western European governments has enabled the diesel car to obtain an average of 15 per cent of the market (Britain is the odd person out), but from 1989 exhaust emission regulations will force expensive catalysts on to petrol cars and thus indirectly help the diesel.

Unfortunately, those regulations also present problems for direct injection diesels and these are causing many manufacturers to delay introducing them. It is unlikely that the direct injection engine can be made to meet the proposed standards without the use of electronics and, possibly, unit injectors,so significant penetration of the passenger car market will be slower than predicted a few years ago.

Because the diesel is less powerful than its petrol sister, turbo-charged versions have been introduced. The turbo-charge diesel suffers from the well-known "turbo lag," but the gradual introduction of ceramic turbine rotors and perhaps plastic compressor wheels should help to reduce this problem.

Other boosting devices, such as the Brown Boveri Comprex pressure exchanger or the Volkswagen G-lader, a belt-driven supercharger, can also improve the diesel without incurring the turbo lag and these could see wider application.

The diesel is most widely seen as a truck engine and in this, most established, role the evolutionary progression is likely to be seen clearly in Western Europe. The use of improved, higher pressure injection equipment to give relatively small improvements in efficency and the increasing adoption of turbo-charging and after-cooling which also assist in meeting emission and noise regulations is the most obvious trend which can be indentified.

In the US the pressure of emissions regulations is so severe that by 1991 truck diesels may need electronic control of their injection equipment and many will use unit injectors or advanced fuel pumps capable of injecting fuel at very high pressures (in excess of 1000 bar).

American buses may actually need to change their diesel engines for methanol-burning, spark-ignition engines to meet the stringent proposed particulate emission regulations.

As the truck engine reaches higher power, the ability to pull well at low speed is impaired by the characteristics of the traditional turbo-charger and while the more modestly rated truck engines will remain with these some of the higher powered will adopt variable geometry turbo-chargers. In the variable geometry turbo-charger, moveable vanes in the turbine adjust its effective size as the gas flow changes to give improved response and even better overall efficiency.

Much research has been carried out to see if the traditional materials of cast iron and steel can be replaced by ceramics. The object of this research is to avoid the loss of energy to the cooling water which occurs in a conventional engine and so achieve greater efficiency.

Ceramics, being good insulators, can keep the heat from the burning fuel within the engine cylinder or enable the temperature of the exhaust gases to be increased to give more energy to the turbo-charger.

It now seems, however, that the efficiency gains from a fully insulated engine, an "adiabatic" diesel, are much smaller than had been hoped and can only really be obtained when the turbo-charger can use all the extra energy.

A further drawback that has emerged is that engineering ceramics are proving very difficult to make at sensible costs.

Nevertheless, even though the concept of the adiabatic diesel looks unlikely for the truck engine, many lessons have been learned about the reduction of cooling losses and some truck engines will be produced with carefully-controlled cooling systems, smaller radiators and fans. These "strategically cooled" engines will be more efficient and less noisy than today's power plants.

Very large engines such as those used for power generation, ship or locomotive propulsion are already the most efficient prime movers, but intense competition in the industry is forcing improvements to give even better fuel consumption. This is achieved mainly by the use of still higher injection pressures and systems capable of injecting fuel at over 1500 bar are already in service on medium speed marine and industrial engines.

For the very large generating sets (over 4MW), turbo-compounding, in which a second turbine, downstream of the turbo charger, feeds energy from the partially-spent exhaust gases into the crankshaft through a set of gears, has been introduced. In this system, steady, full-load application gains of some 5 per cent in efficiency can be obtained.

The cost of the extra turbine and gears is such that this route is unattractive for the smaller automotive engines and whenever they run at part load the extra turbine actually reduces efficiency so even the highest technology, strategically cooled truck engines are unlikely to use turbo-compounding.

Diesel engines are also used in military applications such as tanks and military trucks. In these applications cost is not as important as operational effectiveness and required service life is not as long as for a civilian truck.

The adiabatic concept becomes interesting to the military planner since the bulk of the power plant can be reduced (by dispensing with radiators and fans); he can reduce vulnerability by eliminating the risk of bullets piercing radiators and hoses; he can even improve the range of the vehicle because of the slightly improved efficiency of the engine and because of the reduced weight, achieved by throwing away the radiator and coolant.

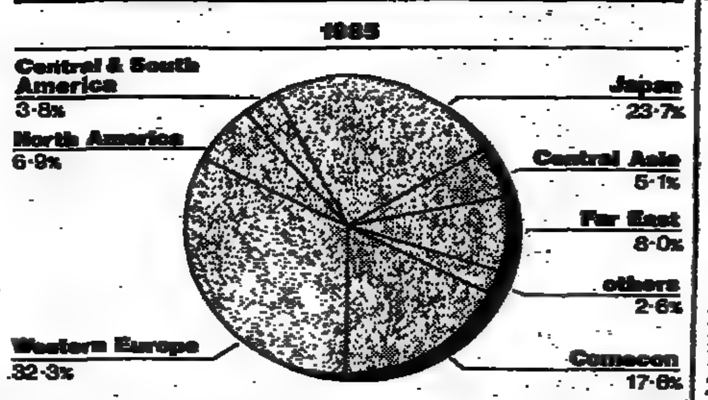
These and other tactical advantages are provoking renewed interest in the diesel for military purposes and maintaining interest in ceramics manufacture for engine components.

Michael Monaghan

Michael Monaghan is technical director of Ricardo Consulting Engineers.

World diesel engine production

1985



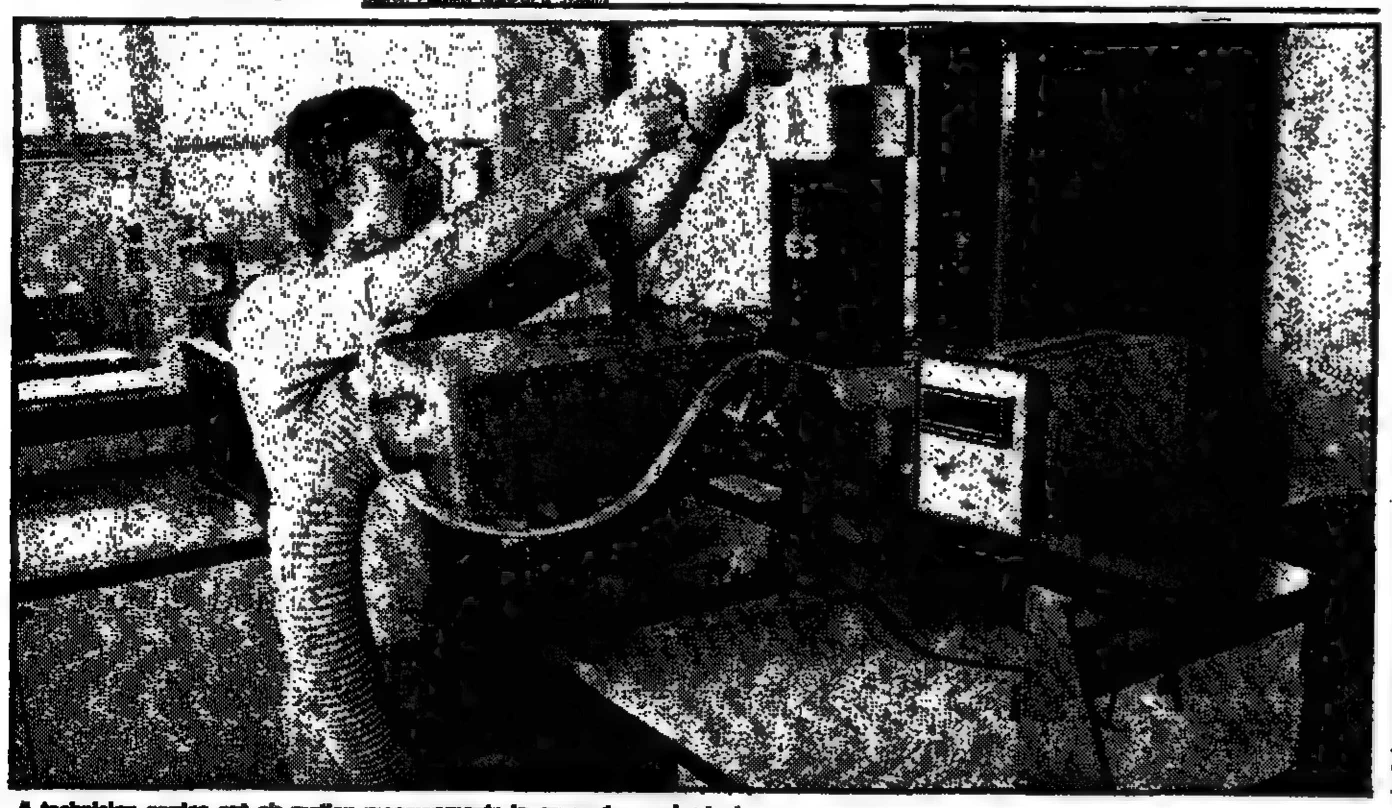
Source: Planning Research & Systems

West European Diesel Engine Production by Horsepower

By Application Area, 1985

HP Range/ Application	Cars	Trucks	Agric	Indus	Con	Gen Set	Marine	Loco	Total
0-20	9,832	0	132,282	63,660	68,767	53,115	13,318	0	340,974
21-50	1,712	7,796	73,248	37,489	16,348	28,938	8,628	0	175,159
51-100	1,602,450	576,633	254,408	69,769	47,621	15,877	10,404	0	2,577,162
101-150	86,692	101,986	48,652	15,100	22,069	7,441	6,087	6	289,033
151-200	0	57,862	8,721	7,808	7,613	5,190	3,788	25	91,007
210-300	0	109,004	2,386	7,464	6,622	6,871	3,199	103	135,649
301-400	0	72,796	443	1,082	2,455	2,004	1,293	119	80,191
401-500	0	4,208	180	238	305	1,555	923	0	7,389
501-1,000	0	0	0	351	106	1,378	1,144	125	3,104
1,000+	0	0	0	319	478	1,503	1,337	122	3,759
Total	1,700,686	930,284	521,300	203,280	172,384	124,872	50,121	500	3,703,427

Source: Planning Research & Systems



A technician carries out air motion measurements in an engine under test

Manufacturing methods

Big investment in new technology

FOR MUCH OF manufacturing industry in the OECD, particularly in Europe, the recent past can be divided into two phases. The early 1980s were a period of dramatic contraction in the face of recession. But since the end of the worst of the recession, most companies have been reorganising to lay the foundations for future competitiveness.

The diesels manufacturing industry is having to do both jobs at the same time. Faced with their over-capacity, major manufacturers are having both to shed labour and introduce new technology and far-reaching changes to working practices.

The future shape of the industry's workforce will differ from country to country, but the main lines of changes can be traced out from developments among some of the major producers.

The industry is slowly reforming working practices and production methods it brought with it from the 1970s and establishing and evolving a new method of production.

A common theme is the need to shed labour and introduce new technology production processes. Perkins Engines of the UK, which has announced 850 redundancies within the last few months, hopes it is coming to the end of its retrenchment. Cummins of the US foresees the need for further reductions in its workforce.

Both companies have invested heavily in new technology over the last few years, to cut costs, raise quality and enhance the flexibility of production lines.

Perkins has invested £50m in robot production lines. Part of this investment has been used to establish what the company regards as one of the most advanced automated parts storage and handling systems in Europe.

Cummins has established flexible machining centres in several of its UK factories, combining a series of machines which can be programmed to make a variety of parts. In turn, the introduction of new production methods has created pressure to refashion work around the technology.

At Cummins, this began three years ago with a move to "single status:" blue collar workers were given the non-wage benefits such as holiday entitlements and pensions which had been the preserve of white collar employees.

This move has gone along with a considerable simplification of the grading of employees within its plants. In the past the company operated with employees organised into about 20 different grades, with work demarcation lines between them.

It now operates with four effective grades covering all production staff from operatives to supervisors. Mr Martin Shaw, a senior personnel manager at Cummins, says: "In the past, progression through grades was determined by seniority. Now it is determined by employee's performance in skill training."

The production workers at Cummins now work largely in flexible teams rather than carry out single tasks. "Before, we had job descriptions for individuals. Now we have team task lists, and anyone within the team should be able to carry out the tasks on the list," Mr Shaw says.

Both companies believe these moves to greater work flexibility have come only through much improved communication with shopfloor workers.

At Perkins, Mr Richard Allen, general manager of its Peterborough plant, says:"Preparing for changes, taking care to honestly explain the changes, the need for them and the company's general position has been crucial. We have tried to show that we can introduce change without it provoking hostility or a reaction from the shopfloor."

The introduction of new production methods by major suppliers is creating pressure to refashion work around the new technology

Mr Allen believes that the company's communications programme has allowed it to introduce wideranging changes to workers' tasks, in some cases considerably extending the responsibility of shopfloor operatives, without going through an enormous regrading exercise.

At Cummins, workers' teams have been involved in reviews of the production process to eliminate as many steps as possible which do not generate added value.

Mr Shaw says: "We have to push decision-making back down to people who are close to the facts, who can make judgments. We are also attempting to instill a culture where people believe that they own their work. So we are reorganising the layout of plants to ensure that sub-assembly operatives are able to see the finished product they are contributing to."

By shifting more responsibility for quality on to the shopfloor, the role of supervisors and quality inspectors has changed.

At both companies these changes in working arrangements have come only with a considerable investment in retraining, as new technology has thrown up a demand for new skills.

Mr Allen, at Perkins, says. "We are shedding labour because of the general state of oversupply in the industry. It would have been wrong for us to recruit from outside and thereby raise the number of redundancies. So all the new skills we need have been found from within our existing workforce."

Perkins was one of the first manufacturing companies in the UK to move toward establishing multiskilled maintenance workers. Electricians have been sent away on lengthy courses with suppliers of high technology electronic equipment. The new maintenance technicians are being given more responsibility for organising their work, rather than being directed by a centralised maintenance department.

In the longer term, the changes new technology has brought to the skills demanded on the shopfloor may change the companies' recruitment practices. Employers will be looking for a different kind of worker in the future — one who can work flexibly and has an ability to understand the producton process as a whole.

Both companies recognise they have learned some of these lessons from aboard, particularly from Japan, and South Korea. But both believe they are among the leaders in Europe in developing new production methods and reformed working arrangements. What will be the main developments over the coming years?

"I hope the workforce will be about the size it is now but much more flexible, more skilled, more involved and more motivated, to get it right first time," Mr Allen says.

New technology will continue to drive changes in industrial relations and the orgainsation of work. According to Mr Shaw: "In the future we will see much more flexible manufacturing, with the introducton of lines capable of manufacturing several different engine components with very little downtime between runs."

Both believe that new technology producton and "just-in-time" production methods will also produce a new working culture. Mr Shaw concludes: "We will have to establish on the shop floor the drive for lower costs higher quality and better delivery times.

"In the past we used to take a very narrow view of work as if it combined simple tasks with a few machines. In the future we will have to pay a lot more attention to capitalisation on our human resources."

Charles Leadbeater

(Western Europe's Diesel Engine Production)

Application Area	1982	1983	1984	1985	1986	1987	1988	1989	1990
Cars	1,279,622	1,166,086	1,476,010	1,700,686	1,899,965	1,898,100	1,957,200	2,013,600	2,041,100
Trucks	843,784	778,742	812,499	930,284	968,610	999,195	1,041,630	1,075,710	1,094,800
Agricultural	619,702	604,091	578,631	521,300	500,270	500,771	498,795	499,214	503,024
Industrial	221,272	207,756	209,266	203,280	201,092	203,161	203,815	204,187	204,685
Construction	180,289	154,778	169,020	172,384	175,770	176,315	174,462	174,449	178,082
Generator Set	110,539	109,215	114,379	124,872	123,189	123,734	124,984	125,891	126,195
Marine	67,733	60,608	53,725	50,121	48,906	50,049	50,985	51,479	51,715
Locomotive	454	692	529	500	465	467	471	476	478
Total	3,323,395	3,081,968	3,414,059	3,703,427	3,918,267	3,952,082	4,052,343	4,145,006	4,200,051

Source: Planning Research & Systems

Profile/Perkins

Product range broadened

PERKINS FACES the future with confidence. The Peterborough-based company, like the diesel engine industry worldwide, is working well below capacity, but has generally increased its share of what has been a declining market. The Peterborough plant, with 181,800 square metres of covered factory space and a production capacity of almost 1,000 engines a day, is currently making 660.

"We're not retreating in the face of falling volumes, but are instead making ourselves more cost effective, so increasing our competitiveness," says Mr John Devaney, Perkins' managing director.

Over the past five years, £50m has been spent on automating assembly and test facilities, and upgrading machine tools and a similar amount is likely to be invested in improving plant into the early 1990s.

The company agreed meantime a programme of redundancies with the unions, the path to an agreement smoothed, no doubt, by the low unemployment rate in Peterborough. Last year some 800 jobs were lost, while Perkins announced last month that a further 450 jobs were to go, about 350 of them among its 3,000 hourly paid workers. The strategy is already paying dividends, with productivity improvements of up to 17 per cent in many areas over the past 12 months.

Perkins has, at the same time, broadened its product range, with the acquisition of the Rolls-Royce engine business in Shrewsbury for £17.4m and L. Gardner, the former Hawker Siddeley engine company at Patricroft, near Manchester.

"Shrewsbury, employing 1,000, slotted into our existing range by adding engines from 250 hp up to 1,500 hp," says Mr Devaney. But the company did not have much of an export capability. Perkins, through its own worldwide distribution network has increased sales from Shrewsbury, mainly for power generation equipment and battle tanks by 35 per cent since the acquisition.

The company has also boosted its new subsidiary's engineering capability. The Shrewsbury business takes 18 per cent of UK proprietory engine sales for trucks, 25 per cent for power generation and 75 per cent for wheeled vehicle sales to the Ministry of Defence.

The purchase of L. Gardner was seen as a way of improving Perkins' share of the bus and coach market, with Gardner taking 75 per cent of proprietory sales to that sector in the UK and performing well overseas.

The Kowloon Motor Bus Co in Hong Kong recently ordered 350 Manchester built engines for a new fleet of buses. "With deregulation of bus services in the UK, the number of buses being produced in this country has dropped sharply, but we were aware of the possibility when we bought the business," says Mr Devaney.

Perkins, which spends over 3 per cent of sales revenue on research and development, has itself been seeking ways of broadening the range of engines it offers, in the face of the fall in the agricultural machinery market. Some 40 per cent of its production goes to Massey Ferguson, the farm machinery making arm of the Varity Coporation which bought out Perkins in the 1950s.

The company says that over the past four years it has managed, nevertheless, to increase sales to non-captive customers across all sectors, with 10 per cent of diesel engines in the 30-300 hp range, used mainly for tractors, being sold to Perkins, the largest world supplier to non-captive markets.

Improvements to its product line include the higher powering of engines at the top end, the introduction of a new heavy truck engine and new mid range series, while at the bottom end, it has launched a new van engine. It has formed a jont venture with ISM, the Japanese company, to market small engines for marine use, small compressors, generator sets and small tractors.

Sales of engines for vans are seen as offering considerable potential. Perkins already supplies to companies such as ERF, Dodge and Leyland which are likely to take over much of the business up for grabs with the closure of Bedford vans.

Perkins also expects growth in sales to the military sector, not least with the introduction of the Demountable Rack Operated Palet System. It has formed a sales group specifically to go after more defence business.

The company today launches its 500, 1000 and 2000 series of engines aimed directly at industrial and construction applications.

Much of its business is overseas. In 1985, 140,000 engines were UK manufactured, while a further 260,000 were produced from exported kits by its 17 licensees in south and central America, Eastern Bloc countries and the Far East.

Although sales to the Middle East, mainly of generating sets and engines for agricultural equipment, have been affected by the turmoil in oil prices, the European and North American markets are looking somewhat better than they have been, and the company is selling more, by the year, into China, though still a trickle relative to business overall.

John Devaney, Perkins' managing director: "We are not retreating"

Profile/Lombardini

A European leader

UNTIL VERY recently Italy had three manufacturers of very small, air-cooled diesel engines, including Lombardini, Europe's market leader in this category with production last year of 115,000 engines.

In April 1986, however, Lombardini acquired majority control of Slanzi, one of its two Italian competitors. The third Italian producer of small diesel engines—Ruggerini—is, like Lombardini and Slanzi, located in the Reggio Emilia area, 100 miles south of Milan.

The small diesel engine market has not been easy, especially as 50 per cent of the engines are sold to makers of agricultural machinery, a market which has been in heavy recession for the past few years. Another important group of customers—manufacturers of construction machinery—has also been hit by slack demand in recent years.

Lombardini nonetheless has been developing a strategy designed to modernise its factory, expand its product line to include water-cooled as well as air-cooled diesels, seek new applications for the engines such as the small passenger vehicle market and at the same time increase its export sales.

The company, which also makes petrol engines, is hoping to maintain its position not only as Europe's leading manufacturer of small diesels for agricultural and industrial machinery, but as world leader in the production of single-cylinder diesel engines (production of these exceeded 100,000 last year out of the 115,000 engines built).

Lombardini had a consolidated group turnover of nearly L200bn last year, of which about L145bn came from the main engines business, another L40bn from associate companies in France, Spain, West Germany and the US, and the remaining L15bn from the newly-acquired Slanzi.

Exports amounted to 32 per cent of Lombardini's 1986 sales, although the company says that a further third of its diesel engines are sold to companies which integrate them into machinery and then export the end-product from Italy.

The company's 1986 net profit will have been about L1.9bn, which is one-third less than the previous year, largely because of losses which came with the absorption of Slanzi last year. At the operating profit level, however, the 1986 result should be similar to the previous year's L28bn, or about 14 per cent of turnover.

Lombardini's problems in recent years have been related principally to the slump in the agricultural machinery market. Whereas in 1982, for example, some 76 per cent of total turnover came from sales to this market (and 24 per cent from producers of industrial machinery), agricultural machinery manufacturers last year represented only 47.5 per cent of Lombardini turnover.

Industrial machinery makers, especially in the generating set business in Italy and France, accounted for 35 per cent of turnover last year, while sales to the garden and automotive market represented 17.5 per cent of 1986 total turnover.

Internationally, while Lombardini is the largest producer of single-cylinder diesels, it ranks third overall in the small diesel engine market, after Yanmar (400,000 engines) and Kubota (300,000) of Japan.

In 1985 Lombardini sold 30,000 diesel engines outside Italy, more than a third of which (13.000) went to France, where the Italian company claims to have between 25 and 30 per cent of the market.

Only 20 per cent of the engine components are tooled in-house, although these represent 70 per cent of the engine's value.

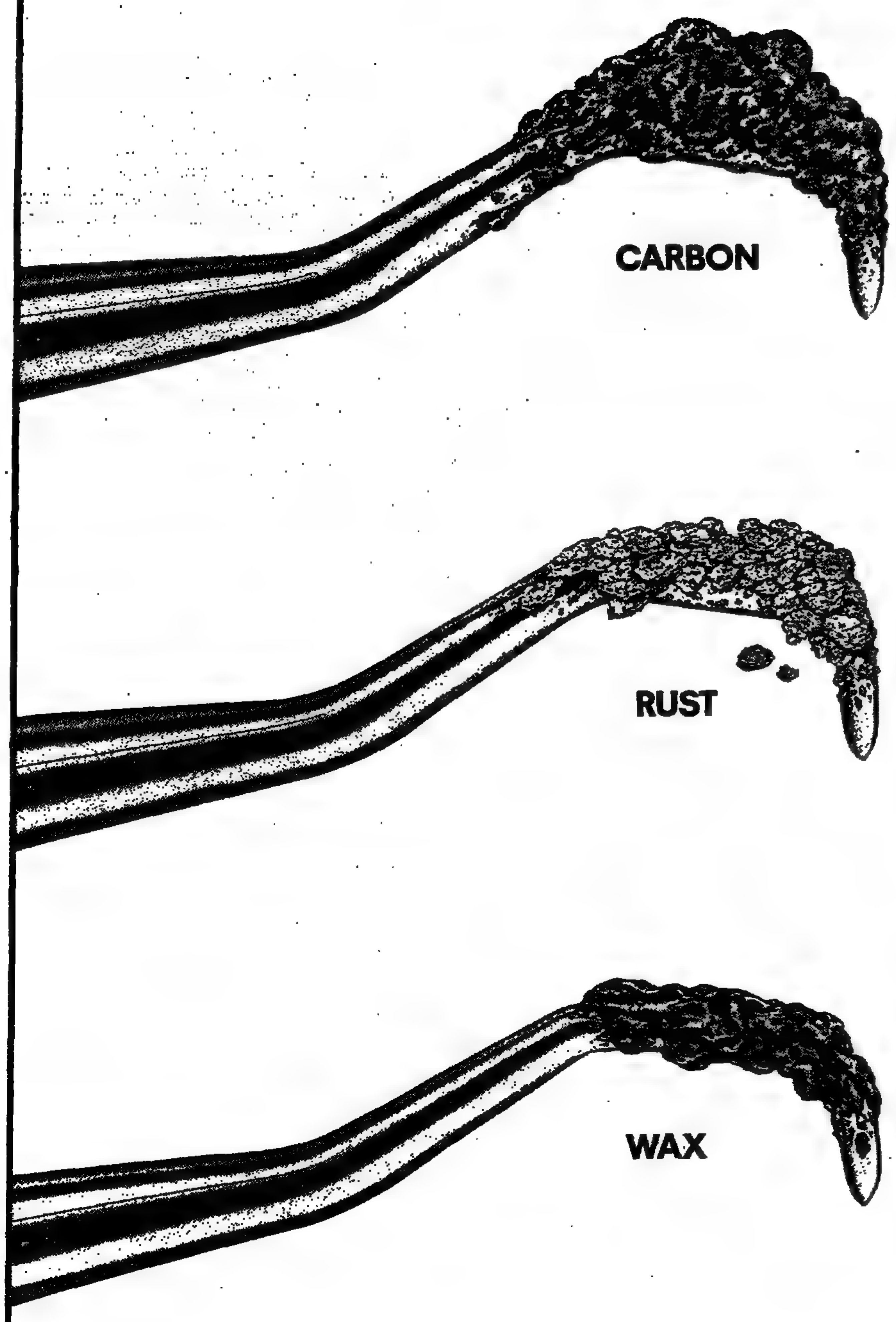
The flexibility of costing which is derived from using subcontractors is an advantage which is not only found in the diesel engine sector in Italy, but throughout the engineering industry.

Lombardini is not contenting itself with keeping costs down, however—it is also investing L50bn in the 1987-89 period in expanding its range of products and in introducing more factory automation.

Alan Friedman

هكذا من الأصل

A few deposits that won't help your bank balance.



"Aye, where there's muck there's brass." A pearl of wisdom indeed.

Except when the muck in question starts playing havoc with your engine.

When diesel fuel burns, it leaves unhealthy carbon deposits. These gradually build up on the fuel injectors of your truck.

Stifling the fuel supply to such an extent that it no longer burns as efficiently.

And you find yourself putting your foot down harder, just to keep up the performance.

As you can well imagine, fuel costs tend to go right through the roof. (Along with one or two company accountants we suspect.)

Couple that little lot with the added hazards of winter waxing, and Diesel starts to look rather less economical than you thought.

Enter Mobil Diesel Plus.

A diesel fuel deliberately formulated to keep fuel supply systems clean and rust-free.

(While in the deep mid-winter it's designed to flow freely in temperatures even as low as –15° centigrade.)

We suggest you try Mobil Diesel Plus.

You will find it leaves you the possessor of a nice healthy engine.

And, more to the point, a nice healthy bank balance.

Mobil Diesel Plus.

Passenger cars

Variations in market share

DIESEL-ENGINED passenger cars date back to the 1920s when a few hardy pioneers tried dropping a truck power unit into a suitably massive saloon, but the production-line diesel car stems from the late 1930s, when West Germany's Mercedes-Benz and Citroen of France almost simultaneously marketed vehicles that won limited popularity among taxi operators and motorists who covered very large annual mileages.

To this day, Europe has a much higher proportion of diesel cars than any other continent but their distribution is patchy.

Germany has a higher market penetration by the diesel than any other country. In the first nine months of last year—no later statistics are available—27 per cent of total registrations were diesels, representing a 52 per cent increase on the same period of 1985.

This gave Germany the highest rate of increase in the diesel car *parc* though its market penetration figure was only marginally higher than Belgium's, where 26.1 per cent were diesels, a rise of 11 per cent on the previous year.

Italy is third in the diesel popularity poll with 24.4 per cent (a 1 per cent increase on the year before). After that a long gap opens up, with France fourth (14.8 per cent of registrations, 1 per cent higher than 1985), followed by Austria (15.9 per cent) and the Netherlands (12.9 per cent).

Conventional wisdom is that diesel cars are bought solely to reduce running costs and are most favoured in countries where there is a large differential between the pump prices of petrol and gasoil.

This is true of Italy, and to a lesser extent of France, though in Italy the financial benefit of a diesel car is realised only after about 10,000 miles have been driven. A heavy annual tax supplement has to be paid and this defers the cost-per-mile gains of using a fuel that costs about half the price of petrol. In France, gasoil is roughly 60p per gallon cheaper than super grade gasoline.

Paradoxically, German diesel prices are close to those of petrol and the derestricted autobahnen are the last places where a diesel car can be expected to be seen at its economical best. Flat out, a diesel engine may be little more economical than a petrol engine. A diesel shines when operating at part power, as in city centre traffic or on secondary roads.

The enormous jump of 52 per cent in diesel car market penetration in Germany last year was due to a new factor—exhaust emissions control. Germany moved ahead of most other European countries last year in demanding higher emission standards. This gave buyers of larger cars in particular the choice of a petrol-engined car with costly catalytic converters to clean up the exhaust, or a diesel which met the new government standards without any additional equipment.

But it is fair to say that economy is the main justification for the diesel-engined car. Even with the fuel costing as much as petrol, a diesel car will cut fuel bills by 20 per cent or more. Further savings are achieved by reduced servicing and maintenance requirements, greater reliability and the higher price realised when the used car is disposed of. Some fleet operators in Britain which have adopted an all-diesel car policy, like Scottish and Newcastle Breweries, have found it economic to depreciate cars over a longer service life than was practicable with petrol-engined cars.

Diesel car registrations in Britain have been climbing sharply during the 1980s, thoughly admittedly from a very low base. Last year, the 77,650 registered represented 4.1 per cent of the total but this compares with only 1.4 per cent in 1983. Industry forecasts suggest a faster rate of increase this year, perhaps to as many as 100,000 units and 6 per cent of a market the same size as last year's.

Much of the prejudice that once surrounded the diesel car in Britain has died away as users have found they are not noisy, smelly and sluggish as rumour had it. Though few of them can match petrol cars in their price class for acceleration, diesel cars feel and sound much the same as petrol cars on the open road.

They are easy to start—easier than petrol cars in bad weather—and far less prone to roadside breakdown owing to their lack of an electrical ignition system.

Growth of diesel car penetration of the British market has been held back by the habit of handing out company cars to all and sundry, which is practised here on a scale seen in no other country. Given a choice between petrol and diesel, most drivers would opt for the former—providing they were not personally responsible for paying fuel bills.

So dieselisation of Britain's cars has started at the bottom of the pyramid, not the top. The small and relatively cheap diesels have appealed both to fleet managers, who supply them to very high annual mileage employees such as sales representatives, and to private motorists.

In Germany and France, the diesel engine heard muttering softly at the traffic lights is likely to be under the bonnet of a Mercedes-Benz, a large Peugeot or Citroen. In Britain, very few managers rating a 2-litre-and-over car would tell the company they would like a diesel.

This is shown by the latest league table of makes and models of car in the British diesel sector, published in January, which shows the Citroen BX leading, followed by the Peugeot 205, Peugeot 309 and Ford Sierra.

The pecking order will, of course, change month by month during the year but it is likely to reflect the dominance of the Peugeot-Citroen Group (PSA) which is now Europe's largest manufacturer of car diesel engines. Six out of the top 10 are PSA engined—the Ford Sierra *is* powered with a 2.3 litre unit bought in from Peugeot.

The list also reflects the decline in Volkswagen's share of the diesel car market. It pioneered the small diesel segment in the late 1970s by introducing a Golf hatchback powered by a version of the 1.6 petrol engine converted to diesel operation but produced on the same machine tools. For several years it set the pace, only to lose ground to other makers who either followed VW into dieselising petrol engines or produced purpose designed and built passenger car diesels.

Ford, Fiat and General Motors also produced small-capacity diesels by making use of some major components from petrol engines. Rover Group's most interesting and promising direct-injection 2-litre, currently unique and now available in a Maestro van but soon to offered in a Montego car, is based on an O-series petrol engine block. BMW adapted its in-line 6-cylinder engine into a notably lively diesel. Mercedes-Benz and Peugeot preferred a more specialised approach.

Turbocharging has been used to give more eager performance to up-market diesel cars and to enable somewhat undersized engines to propel medium-sized cars with acceptable snap. The ever-ingenious Japanese have even introduced a 1-litre, 3-cylinder turbocharged diesel for a mini-sized hatchback.

Whether this is a better solution than squeezing a fairly large engine without a costly turbocharger into a smallish car is a moot point. The latter course has done no harm at all to PSA, whose Peugeot 205 and Citroen Visa (1.7 litre powered) and 1.9 litre Peugeot 309 provide performance benchmarks in their size and price class. Citroen's best-selling BX has a 1.9 litre unit whereas the similarly sized VW Passat needs a turbocharger on its 1.6 litre engine to improve acceleration and hill-climbing.

In Britain, the growth in diesel cars is reckoned to be fleet-led but there is another factor to consider. Once private motorists discover diesel benefits, they rarely go back to petrol cars again. Also, they lose no opportunity of saying how pleased they are with their choice of a diesel, even if it did involve paying a modest price premium. They make many converts because a satisfied owner has always been the best salesman for a product.

Stuart Marshall

Diesel Car Penetration

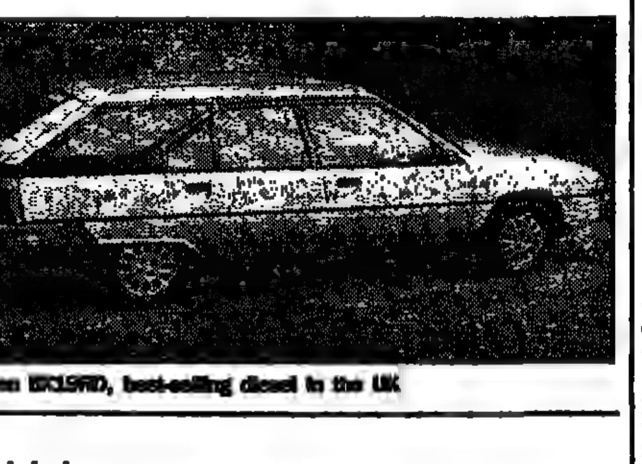
First nine months 1986

	Penetration %	Change on same period 1985 %
Austria	15.9	+15.9
Belgium	26.1	+11
Denmark	5.5	− 2
France	14.8	+ 1
Germany	27.0	+52
Holland	12.9	+ 4
Italy	24.4	+ 1
Portugal	2.0	− 2
Sweden	1.2	−51
Switzerland	3.7	+28
UK	3.8	+12

Penetration in the UK
% of total registrations

	% of market	Total diesel car registrations
1983	1.4	24,600
1984	2.2	45,380
1985	3.6	66,180
1986	4.1	77,650

Source: Planning Research and Systems



Citroen BX19RD, best-selling diesel in the UK

Profile/Komatsu

Reliance on US pact lessens

KOMATSU of Japan is known mainly as the world's second largest producer of construction equipment after Caterpillar Tractor of the US. With sales last year of Y605bn ($3.9bn) and pre-tax profits of Y28.4bn, it is also one of Japan's leading manufacturers.

Construction equipment accounts for roughly three quarters of the company's business. Another 7.5 per cent comes from sales of diesel engines and other components and 5 per cent from high-powered presses for the car industry, a sector in which Komatsu is a world leader. The company also makes machine tools and robots and carries out construction, real estate and housing businesses in Japan.

Komatsu began making diesels in 1947 for its construction equipment lines, and expanding its output significantly in the 1960s as a result of a licensing agreement with Cummins of the US reached in 1961. Total output in recent years has been about 40,000 units a year.

The relationship with Cummins became the prime feature of Komatsu's engine operations for a long time. In the 1970s and early 1980s, it consisted not only of the basic license agreement, but also of a joint subsidiary in Japan for OEM sales of engines, the importing of some models by Komatsu from Cummins and the supply of some components by Komatsu to Cummins.

"We have had every commercial relationship known to man with them," a senior Cummins official once said.

However, the Japanese company gradually developed more of its own engines, and so has tended to use fewer and fewer Cummins designs and engines in its construction equipment. In the early 1980s, Komatsu began to withdraw from a number of its licensing agreements, first in the construction equipment field with International Harvester and Bucyrus Erie of the US, and more recently with Cummins.

Like many other diesel producers, Komatsu was attracted by the opportunity for sales of engines on an OEM basis for use in generating sets and other industrial equipment, as a way of earning marginal revenue. In 1984, it decided to begin marketing its own engines on the open market and so the joint sales company with Cummins in Japan was wound up. Now, the licensing agreement too is coming to an end.

Mr Shoji Nogawa, president of Komatsu, said a year ago that the company would like to retain its relationship with Cummins "as long as they want to", but he added that there were only a few Komatsu construction equipment lines that still required Cummins engines.

Komatsu's first large OEM engine contract came from the Onan Corporation in the US in April 1984 to supply 60 to 1,500 horsepower engines of 16 different models over seven years. The agreement has been strained by the high value of the yen, and it is understood that the volume of sales has not developed as hoped.

About 10 per cent of Komatsu's engines are sold to OEM customers. The company said last month that its net sales of components and other products last year suffered a 4.9 per cent drop due mainly to decreased exports of diesel generators and compressors.

Komatsu concentrated for many years on becoming a full line, self-sufficient construction equipment company, but in the past year or so it has become more open to marketing and production agreements with other companies, both in Japan and around the world. So far, the only agreement involving engines is a deal with Yanmar diesel under which Yanmar supplies Komatsu with some small engines of under 100 hp, but other opportunities for Komatsu engines may develop.

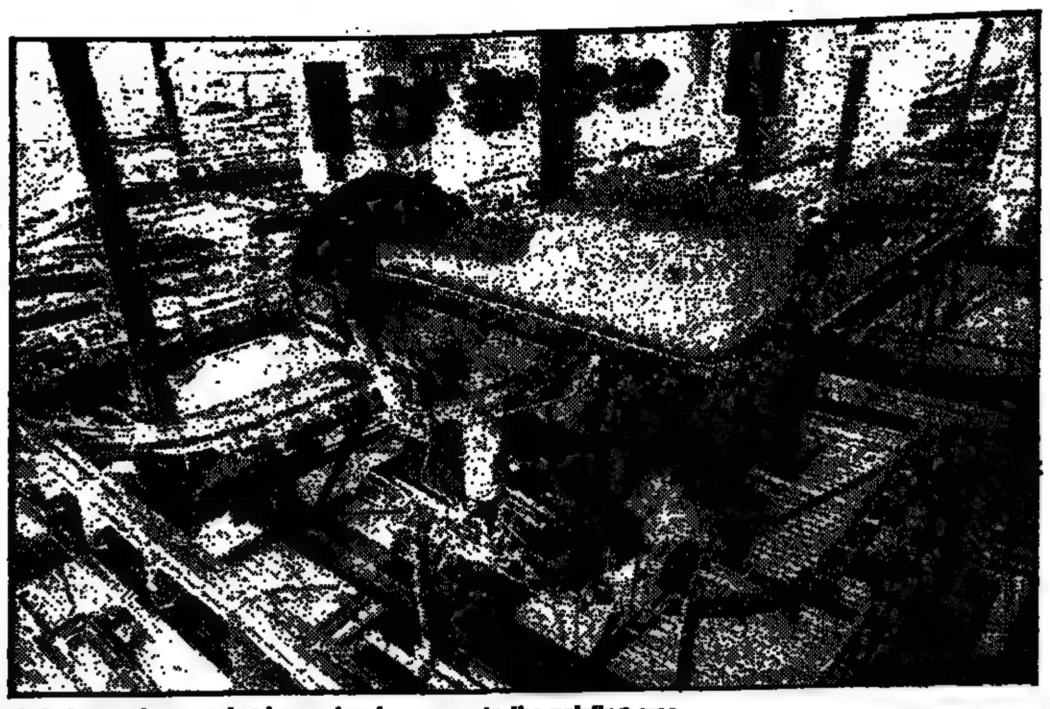
Last December, the two companies expanded that relationship. Komatsu is supplying wheeled backhoe loaders to Yanmar, and Yanmar is supplying small crawler carriers to Komatsu.

Abroad, Komatsu has made two OEM agreements in the past year, one to buy articulated dump trucks from Brown Group International of the UK and other to buy vibratory rollers from ABG of West Germany. It has also been expanding its relationship with its licensee, Bharat earthmovers, the leading construction equipment maker in India, a move which could lead to the production of engines in that country.

Today, all of the company's engines are produced at a fully integrated plant at Oyama, 60 kilometres north of Tokyo. The range extends from 35 hp for the smallest four-cylinder engine to 1,500 hp for its 46-litre V-12.

The company is active in engine research and development. For example, it is one of the participants in the Japan oil industry's project to develop an efficient large diesel engine for combined heat and power generation.

Ian Rodger



B Series engines moving by overhead conveyor to the painting area

Profile/Cummins

Tough pricing decisions

AFTER POSTING record profits of $188m for 1984, Cummins, the world's largest independent diesel engine builder, was in a highly confident mood.

It appeared to have bounced back from the depressed trading conditions of the early 1980s, especially in its own US domestic market where it is the leading supplier of heavy-duty truck engines.

Since then, however, the group has been forced to take some tough decisions. To meet prices asked by Japanese engine producers, it lowered its own prices by up to 40 per cent in 1984 and has been driving its costs down ever since to meet these new pricing pressures.

Last year, as part of a major cost-cutting and efficiency drive, it announced the closure of three plants—representing 20 per cent of its floorspace and the loss of 3,000 jobs from its total employment of 20,000.

The company traded at breakeven last year and made a net loss of $101m after taking into account special charges of more than $100m related to the closure programme. Total sales of $2.3bn were up from the $2.1bn of 1985 but no better than 1984.

Some of its new engines have been coming on stream more slowly than expected, too. At the turn of the decade Cummins was over-depending on high horsepower truck engines, particularly its 14 litre unit, and decided to develop and introduce the much smaller B series (55-180hp) and C series (160-250hp) engines, as well as a new 10 litre engine.

This helped the company push down into medium-sized trucks and construction equipment where demand is healthier than in the higher horsepower ranges.

The main production plant for the B and C series is the Rocky Mount facility in North Carolina, a joint venture with JI Case, the US construction equipment maker, which came on stream in 1983.

Output from this plant, which has a 150,000 unit a year capacity, is at least a year behind target, however, totalling just 40,000 engines last year—half for Cummins, and half to be fed directly into Case machinery.

Cummins managers, nevertheless, believe that the changes of the past few years will soon begin to bear fruit, starting this year.

"I am quite optimistic about our intermediate prospects over the next few years," says Henry Schacht, the company's chairman and chief executive.

"We have been through a long period of restructuring based on the concept that markets are flat and highly cyclical. We can compete in any market that diesel engines are used in."

This confidence is based in part at any rate in Cummins' success in defending its position in the US heavy truck market which still accounts for the biggest single element of its total sales.

In the early 1980s Volvo, Daimler-Benz annd Renault, all integrated European truck makers producing their own engines, purchased three leading US truck builders and, soon afterwards, Japanese truck makers showed signs of mounting a major co-ordinated assault on the US medium-weight truck market.

So far the Europeans have supplied very few European-made engines to their US offspring and the Japanese too have made little headway. Mr Schacht points out that these outside producers are crowding into the forward control (cab over) market which only accounts for 10 per cent of US truck sales.

Cummins marginally increased its share of the US heavy truck market to 56.5 per cent last year, though the worrying aspect for the company was that this market actually dropped in size by a tenth.

Cummins' cost-cutting drive, too, has reduced manufacturing costs by a third in the past three years. Some observers, though, believe that in 1984 when Komatsu offered to sell Navistar (formerly International Harvester) truck engines at prices 40 per cent below those offered by Cummins, the US company overreacted by bringing its prices down too severely.

Cummins is also increasingly optimistic about its new engines. Total output from Rocky Mount is now scheduled to rise above 100,000 by 1991. The first US truck maker has also signed up to take the B and C series units.

Cummins sold a total of 130,400 engines in 1985, including 9,500 kits. Sales last year were 126,200 including 4,100 kits.

Mr Schacht is putting great store on technology. Out of Cummins' $120m yearly R and D budget, 10 per cent is spent on electronics, including the development of sophisticated engine management systems. The company is also using technology developed by Hyperbar of France to double the power from the high horsepower industrial engines made at Daventry, in Britain.

Finally, in a significant move last year, Cummins purchased Onan, the generating set manufacturer which is now in the black and expected to be a good cash generator.

Cummins' smaller engines produce less cash profits than the bigger engines for which sales were once much better. It is a mark of its confidence, though, that Mr Schacht hopes the company will secure a target profit margin of 5 per cent on sales next year.

Nick Garnett

Commercial vehicles

Heavy truck demand stablises

COMMERCIAL VEHICLE builders use more diesel engines than any other sector—4m a year world-wide or about 35 per cent of total diesel unit production—but growth has gone, particularly from the heavy end of the truck business.

The volume of diesels used by the sector has stabilised, however, because oil-burning engines are increasing their penetration of the van and light truck markets.

Diesel units power nearly every heavy truck used worldwide but this part of the commercial vehicle industry is only just recovering from the severe recession which engulfed it very quickly at the beginning of the 1980s.

The oil producing countries in the Middle East and developing countries in Africa have virtually shut down production of heavy trucks.

But output in the US of heavy trucks (over 33,000 lbs gross weight), which sank from 182,000 in 1979 to only 75,000 in 1982 has rebounded to reach more than 132,000 again.

The industry consensus is that production of the Class 8 heavyweight trucks will remain between 120,000 and 140,000 a year for the foreseeable future.

In western Europe, where the producers also had the benefit of big export orders, capacity for heavy trucks lifted to about 600,000 by the end of the 1970s.

Then world demand collapsed from about 520,000 heavy trucks in 1979 to only 350,000 in 1983. World demand has now stabilised at about 400,000 with about equal demand—120,000 to 140,000—from western Europe and the US.

The stresses caused by the collapse in heavy truck sales and the lack of potential growth have triggered off another round of re-structuring in the industry.

General Motors, the world's largest automotive group, has given up producing medium and heavy trucks in Europe and handed over its North American heavy truck business to a company controlled by Volvo of Sweden which already owns White Trucks in the US.

Ford has eased its way out of medium and heavy truck production in Europe by placing those operations into a joint company in which the Fiat-owned Iveco has management control.

The state-owned Rover Group in Britain has offloaded Leyland Trucks into a joint company controlled by Daf of the Netherlands.

In all these cases, the company with management control will also be responsible for developing future vehicles for the combined operations.

Most forecasters predict more restructuring, both in Europe, where competitive pressures remain intense, as well as the US where new noise and emission regulations are due to come into force in 1988 and many long-term investment decisions will have to be made by the heavy truck producers.

The prospects for growth in diesel engine demand are much brighter at the lighter end of the commercial vehicle markets, however.

In Western Europe, for example, in 1983 there were 352,165 diesel engines installed in commercial vehicles covering gross weights to 3.5 tonnes. By 1985 the total had jumped by 45 per cent to 512,335, according to Planning Research and Systems (PRS), the London-based consultancy.

The statistics reflect the spread of diesels in car-based vans and light panel vans following the introduction of much more fuel-efficient diesels from the car manufacturers.

The new engines will continue to stimulate growth in the use of diesels in smaller commercial vehicles in Europe for some years to come.

In the US the big growth in diesels has been in Class 2, or vehicles with a gross weight between 6,000 lb and 10,000 lb.

In 1979 there was virtually no demand for diesel power in Class 2 and only 950 oil-burning trucks were bought. In 1985 the total reached 132,870.

Diesels previously made little headway at the lower end of the US commercial vehicle market because the price of petrol is still relatively low and the manufacturers also have available inexpensive, big petrol engines produced in large numbers for use in cars which can be used as well in commercials.

Thus, purchases of Class 1 commercials (up to 6,000 lbs gross) have yo-yoed in line with petrol prices. They reached a peak of 72,000 in 1980 and have since sunk to 15,500.

The other US sector showing steady growth in the use of diesel engines is Class 7 (26,000 lbs to 33,000 lbs gross).

Sales of diesel-engined Class 7 trucks were about 11,000 a year in the mid-1970s but rose sharply to reach 57,000 in 1985.

This trend was helped by the steady swing from Class 8 to Class 7 trucks caused by deregulation of the US haulage industry.

Those making educated guesses about the impact of de-regulation say that the longhaul business will almost disappear. Any journey over about 700 miles will be done by "piggyback" where the truck trailer is carried by rail for part of its journey.

This should limit the number of heavy-duty tractive units required in the US in future and in theory there will be no need for engines of over 350 horsepower in the States for general haulage.

And the number of delivery trucks should increase greatly because they will be needed to run to and from railheads as well as truck terminals.

US engine producers have already anticipated the rise in demand for diesel engines in medium trucks by introducing new, "economy" diesels. Ford, General Motors, via its Detroit Diesel Allison offshoot and Navistar (formerly International Harvester) have all taken steps to improve their positions.

The independent diesel makers, Cummins and Caterpillar, have been moving into the market for smaller diesels for medium trucks.

The US is also providing the main battleground between the independent engine producers and the truck marketers who are deeply involved in developing and manufacturing their own diesel units.

Daimler-Benz of West Germany and the two Swedish companies, Scania and Volvo, are particular proponents of the concept that in a premium truck the engine, gearbox and drive axles have to be perfectly matched and that this can be achieved only if they are all developed and produced by the same organisation.

Many of Europe's other truck makers, including Daf, Iveco, MAN and Renault's truck company, also develop and manufacture their own diesel engines.

According to a soon-to-be-published report (price £750) on European truck engine production by PRS, Daimler-Benz, the Mercedes group, dominated this area of diesel production for vehicles over 3.5 tonnes gross with an output of 89,496 engines in 1985, well ahead of Iveco, 55,221, in second place.

Volvo, 32,788, Renault, 32,005, Scania, 22,729 and MAN, 19,110, followed in the rankings.

In the US the heavy truck market is very different and the customer usually specifies his favourite diesel engine around which the assembler "packages" the vehicle.

Daimler-Benz, which now controls Freightliner in the US, and Volvo, which now controls White and GM's heavy truck business as well, are both attempting to persuade at least some Americans to switch to vertically-integrated trucks with engines, gearboxes and axles all provided by one manufacturer.

This trend will certainly be helped by the Japanese who between them produce about 1.3m diesel-engined commercial vehicles a year.

The Japanese also have their eyes on the US truck market with the idea of filling niches with delivery and medium-weight vehicles, all employing diesels. Mitsubishi, Nissan Diesel, Hino and Isuzu are already building sales in the States in this way.

Kenneth Gooding

Profile/Klockner-Humboldt-Deutz

Price cuts and losses

THE MOUNTING troubles faced by shipbuilders and farmers worldwide cut group sales of West German diesel-engine manufacturers Klöckner-Humboldt-Deutz to DM 4,900m last year.

Operating losses by all three branches—diesel engines, agricultural equipment and industrial plants—made 1986 the worst year ever for the Cologne-based firm.

Yet KHD expects that 1986 group results will still show a slight profit through the use of reserves and interest income to cover losses, said a company spokesman. No mention was made of repeating the DM 9 dividend payment made for the past two years.

The almost 11 per cent decrease in sales was also attributed to the sharply increased value of the Deutsche Mark in 1986, with fluctuating exchange rates alone resulting in a DM 400m loss in revenue, reported the KHD management board in a letter to stockholders.

"Ruinous price reductions" in the North American market resulted in losses for KHD's Deutz-Allis subsidiary there, despite more than tripling its sales of tractors (about 3,500) and threshers (about 4,000) in 1986. The red ink at Deutz-Allis was covered by KHD reserve funds.

"We want to stay in that market," said the KHD spokesman, of its commitment to the US and Canada.

Diesel engine sales, which account for about half of KHD group sales, decreased 12 per cent last year, with medium-to-large sized engines, used for ships and power plants, especially affected. KHD is the world's largest manufacturer of air-cooled diesel engines.

Sales of high-speed diesel engines decreased 8.7 per cent last year to 116,000 units. A lack of special project orders and a drop in licensed production also affected results negatively, while business with installed KHD engines was described as "satisfactory."

Sales of water-cooled diesels made by its subsidiary Motoren-Werke-Mannheim AG (MWM) decreased 18 per cent to DM 342m in 1986. MWM supplies engines for Renault tractors, said the KHD spokesman.

One bright spot was MWM's new water-cooled medium-sized 604 B series, which reported improved sales. KHD's small aviation division also reported sales up 12 per cent and orders increased 14 per cent during the year.

KHD's agricultural machinery division recorded a 9 per cent decrease in sales last year, with Deutz tractors capturing 16 per cent (against 17.6 per cent in 1985) of the West German market. Reduced demand from North Africa, Greece, Australia and South Africa also cut export orders, which were partly compensated for by the increased shipments to the US.

The Deutz-Allis subsidiary in North America, included in KHD group results for the first time since its purchase in 1985, reported sales worth $275m. About 3,500 tractors (1985: 1,400) and almost 4,000 threshers (1985: 600) were sold there, despite a shrinking market.

Even as the lower value of the dollar affected KHD's North American income, the lower value of the pound also created advantages for British-based competitor Case, noted the spokesman. The price advantage for the British competition was also mentioned in the board's letter to stockholders.

The uncertain future of the Common Market's agricultural policy discouraged western European farmers from making new investments last year, said KHD official Rolf Becker. KHD tractor exports worldwide decreased 16 per cent, while agricultural equipment exports dropped 24 per cent in 1986.

The KHD industrial plant division reported a 6 per cent reduction in contracts. This division, which sold turn-key cement plant projects to Iraq and Saudi Arabia several years ago, accounts for one-tenth of KHD group sales.

The industrial plant division, along with KHD production lines for medium and large diesel engines, had been working four-day shifts (Monday to Thursday) since January 1 this year, said the spokesman. More than 1,000 jobs had been eliminated through attrition and early retirement last year.

A total of 2,000 jobs are to be eliminated by 1988, though the reduction is not expected to cut personnel costs immediately. KHD employs 19,000 people worldwide, with DM 1,200m paid in personnel costs in 1986.

This year shows no signs of being any better for diesel engine manufacturers, according to the KHD board report. But one potential bright spot, the board noted, was its long-range plan to co-operate with other companies, as demonstrated by its recent agreement with Daimler-Benz AG, Stuttgart.

Both KHD and Daimler hope to develop jointly and sell a four-wheel-drive tractor. Their proposed co-operation agreement has yet to be approved by West Germany's cartel board.

New products and markets, plus cost-saving measures, should have a positive effect on 1987 results, according to the KHD report. Production lines for both tractors and threshers have been modernised; a large diesel engine plant at Voerde was closed; and engine construction has been moved from Sudbremse, Munich, to Cologne during the past year.

These steps should add up to a similar DM 3,264m in sales for KHD's parent company in 1987, matching last year's level and "a marked improvement in operating results," predicted the board.

Dennis Phillips

Independent manufacturers

Determined to survive in changed market

LOOKING AT the production statistics it could be said that, historically, diesel engines were built by engine companies; now they are built by vehicle companies.

This is an oversimplification but there is a lot of truth in it. Ten years ago the world league table for engine production was dominated by companies whose business was building engines for sale to equipment manufacturers.

By 1985, six out of the first seven companies in the list were equipment manufacturers, primarily vehicle manufacturers, building engines for their own use, with third party sales as a secondary activity.

Undoubtedly, there has been a significant change in the market for engines and the independent suppliers are facing attack on both flanks. The integrated equipment manufacturer with large-volume engine production is competing with the independent producer for engine sales in the open market.

At the same time, the independent's customer base of non-integrated equipment manufacturers is being eroded by the same large integrated manufacturers. Nevertheless, in the large and diverse engine business, the independents are determined to survive.

Diesel engine markets divide conveniently into three groups. Below 30 hp and above 500 hp, the demand is non-automotive and the vehicle manufacturers do not compete. Between these two ranges the vehicle manufacturers have a major influence on the enginem market.

It is in the 30-500 hp market where the major battle will be fought between the independent engine manufacturers and the integrated equipment makers. Japan's manufacturers are highly integrated and what open market exists for engines is supplied by domestic manufacturers.

As such it is not a market for imported engines and its major influence on Western markets is through its exports of diesel-powered equipment competing directly with US and European manufacturers and indirectly with the independent engine manufacturers.

In Europe, 79 per cent of diesel engine production in 1985 in the range 30-500 hp was for the automotive sector, accounting for 2.6m units. With the decline of the independent truck manufacturers in the UK, the European truck sector is virtually closed to independent suppliers.

There are significant sales of diesel engines for passenger cars but these consist largely of sales between vehicle manufacturers, notably Volkswagen to Volvo and Peugeot to Ford. Of the remaining 21 per cent of European production, about half goes to the agricultural sector but again this is a largely captive market with 83 per cent of the engines produced by the integrated equipment manufacturers.

In the past three years the independent engine manufacturers have seen their share of an agricultural market which is itself declining, fall from 28 to 17 per cent. The remaining non-automotive sectors—construction and industrial equipment, power generation and marine—account for about 10 per cent of total production and are essentially open markets, taking about 300,000 engines in 1985.

The US market for engines in the 30-500 hp range differs from Japan and Europe in that it includes substantial open market sales of engines in the commercial vehicle sector. Non-automotive diesel engine production in the US accounted for 180,000 units in 1985 of which only 74,000 were sold on the open market.

There is little doubt that independent engine manufacturers will continue to dominate the US markets for very small and very large engines. Below 30 hp there will always be large numbers of equipment manufacturers purchasing engines.

The market is shared between European and Japanese manufacturers with the Japanese well ahead in volume. This lead could be extended if Honda enters the diesel market in 1988.

In the 30-500-hp sector, the independents face a stiff challenge. It would be tempting to assume that the US truck market will ultimately fall into line with Europe and Japan as independent truck manufacturers are gradually driven out of business.

The combined assault of the Europeans — Daimler-Benz, Volvo and Scania with Iveco to come and the Japanese—Hino, Isuzu, Nissan and Mitsubishi, could permanently change the US market in favour of integrated production. With doubts associated with the long-term future of GM and Ford in the heavy truck sector, the prospect for the independent engine suppliers is far from clear.

The major independent engine manufacturer in the US market is Cummins with about one third of the heavy truck market. In the face of threats to its traditional market, Cummins has made major efforts to consolidate its position.

Some years ago it took steps to extend its horsepower range downwards from 150 to 50 hp by setting up a joint venture with J. I. Case to produce the B. and C. series engines. This will give it a model range stretching from 50-2000 hp.

In 1988 the Onan Corporation, a generator set manufacturer and a Cummins customer, started to purchase engines from the Japanese manufacturer Komatsu. Cummins reacted aggressively by buying Onan and halting the Japanese invasion. This move also gave Cummins a captive outlet for generator drives.

A further and potentially more serious threat occurred when Navistar and Freightliner, two major purchasers of Cummins engines for heavy trucks, announced in 1984 that they were looking at cheaper Japanese engines. Cummins took the drastic step of reducing prices by 30 per cent, hoping that somehow costs could be similarly reduced by major changes in manufacturing and purchasing practices.

So far, Japanese engines have been effectively kept out of the US truck market but at considerable cost to Cummins. Whether its truck OEM customers can similarly repel increasing imports from integrated truck manufacturers is another matter.

In Europe, where the open market for diesel engines is largely non-automotive, the major threat to the independent engine manufacturer might be expected to come from the integrated vehicle manufacturers.

With the very large number of diesel engines now being produced captively for both cars and trucks, the economies of scale would suggest that a vehicle manufacturer could offer engines on the open market at a very competitive price. Volkswagen, for example, produced 245,000 of its 1600cc, 54hp Golf diesel in 1985, thereby comfortably exceeding with a single model, the entire production of any independent engine producer.

Only 3,500 of these however, were sold for non-automotive applications. Indeed of 2.5m diesel engines produced by 13 major vehicle manufacturers, only 95,000 or 3.7 per cent were sold for non-automotive applications. Put another way, of the 700,000 non-automotive engines sales, only 13 per cent came from vehicle manufacturers.

What emerges is that the vehicle manufacturers have not been attracted by the non-automotive market. The reasons for this are clear. For non-automotive engine sales, customers are relatively small, while the model range has to be extensive.

The engine manufacturer must be prepared to offer variations in specifications to meet particular application needs and to provide technical support to his customers. This is very demanding in terms of engineering resources, manufacturing flexibility and customer support. Vehicle manufacturers are geared to volume production and are not set up to cope with the demands of small equipment manufacturers.

One of the leading suppliers of engines to both automotive and non-automotive equipment manufacturers in Perkins Engines in the UK. Perkins' formula for success as an independent engine supplier is based on product range and customer base.

Like Cummins, Perkins has extended its horsepower range by the acquisition of Rolls-Royce and Gardner giving engines ranging from 10-1200hp. In addition to its UK manufacturing sites which are claimed to supply 300 customers in 80 countries with engines for more than 2,000 applications, Perkins has 16 associate and licensee companies around the world which should help to protect it from fluctuations in individual markets.

Wherever they operate, independent engine manufacturers depend on non-integrated equipment manufacturers for their customer base. In the non-automotive sector there will always be a role for these OEMs and on a worldwide basis the volume of engine sales can maintain a stable business for independent engine manufacturers.

In the automotive sector the major market for engine sales is in the US where although no drastic changes are likely in the short term, the long term future is less optimistic.

Michael Smith

Michael Smith is a director of PRS Consultancy Group.

Robot at work at the Cummins plant at Shotts in Scotland

Profile/FIAT

Strong sale for Italy's cars

THE Turin-based Fiat group is far and away Italy's leading manufactrer of diesel engines and ranks among the world's top three producers.

Despite difficulties in the world market and the production of 47,580 fewer engines last year than in 1985, Fiat still manages to keep its production levels up because of the popularity of diesel engines in passenger cars in Italy.

About 25 per cent of all Italian cars are now diesel powered—this compares with a slightly higher level in West Germany, about 14 per cent in France and just 4 per cent in the UK. With the acquisition last autumn of the formerly state-owned Alfa Romeo car concern, the Fiat group now has something like 62 per cent of the domestic Italian car market. Fiat places great emphasis in both design and marketing of its diesel models, with campaigns for cars such as the Lancia Thema and Fiat Croma.

The overwhelming majority of the 502,350 diesel engines produced by Fiat in 1986 (of which 52.4 per cent were made by the Iveco industrial and commercial vehicles subsidiary) were built as components for in-house production.

Indeed, only 15 per cent of the total number produced in 1986 by Iveco was sold outside the group. This means that sales of diesel engines outside of the Fiat group amounted to 7.9 per cent of the total 1986 output.

Mr Giovanni Biaggini, an executive in Iveco's diesel engines division, says the goal is mainly to service Fiat's internal requirements. "We are not so interested in external sales. Our main priority is to build diesels for the Fiat group."

While Fiat auto last year built 239,350 diesel engines for its own use (against 293,930 diesels in 1985), Iveco in 1986 manufactured 263,000 diesel engines. The Iveco engines, which range from 50 horsepower up to 1,000 (for railway locomotives), run the gamut of applications, from tractors and cars to buses, lorries and excavators.

Some 34 per cent of Iveco's diesel engine production went into its own vehicles. Fiat Auto took 51 per cent of Iveco's diesel engine output last year, and third party (external) sales accounted for the balance. Iveco says turnover is hard to estimate because a third of production is in-house, but it will reveal that intra-company (Fiat) and external sales had a 1986 value of L658bn ($506m).

Iveco employed almost 3,000 workers in the manufacture of diesel engines last year. Although the Brescia plant is being phased out, five factories were operating in 1986 in its diesel engine business—these were Turin (with 1,355 workers), Foggia (770 workers), Milan (115), Brescia (219 workers) and at Bourbon-Lancy in France (535 workers).

Foggia specialises in the four-cylinder 2.5 litre engines for light duty vans such as the Ducato. It also makes engines for Renault, a client as well as a competitor. Foggia also produces engines for diesel passenger cars.

The Turin plant makes the big V-8 cylinder, 17-litre engines which go into heavy Turbostar lorries. Turin also builds three-, four-, five- and six- cylinder engines for light and medium duty trucks, for construction, agricultural and marine applications.

What is the Fiat group's standing in the international market? In 1984 Fiat became the world's largest producer of diesel engines, displacing Daimler-Benz of West Germany. In that year Fiat's total output of diesels (including Iveco) from factories in Italy, France and Brazil, was 498,055.

The growth in recent years has come mainly from rising sales of cars fitted with diesels. Despite the growing popularity of energy-saving diesel-powered cars in Western Europe, the difficult nature of the industrial vehicle market has put a damper on overall production. That is why total Fiat group production in 1986 declined by 8.6 per cent.

The Iveco subsidiary remains a key European manufacturer of medium to large diesel engines and has invested heavily in developing advanced manufacturing technology. In the three-year period of 1984-86 Iveco, for example, spent L85bn on such investments.

At the group level, meanwhile, Fiat is working on expanding its range of diesel-powered passenger cars, which at least in the near term looks like being the biggest taker of diesel engines.

Alan Friedman

Marine plant

Hopes of a recovery in output

THE QUEEN ELIZABETH 2, the world's most prestigious passenger ship, will shortly re-enter service with Cunard equipped with the world's most powerful marine diesel propulsion plant, built by MAN-B & W of West Germany.

Nine 9L58/64 four-stroke engines, fitted by Lloyd-Werft in Bremerhaven, will develop an aggregate output of 130,000 horse power.

The order, worth DM 90m, was a substantial coup for MAN/B & W, which faced strong competition from all the major manufacturers of large size marine diesels.

Orders on this scale, however, form only a small part of the total output of marine diesel manufacture, which produces most of its output for pleasure craft and small commercial vessels.

In Europe in 1985, the last year for which figures are available, total output of marine diesel engines amounted to 50,120 units, of which 47,500 were of less than 500hp—used mostly for pleasure craft, fishing boats and similar vessels.

European production of small engines is fragmented between a large number of companies, some of which modify automotive and other engines for marine use. These include BMW of West Germany and Nanni of France.

Other major producers include Volvo of Sweden, Bukh of Denmark, Iveco-Aifo of Italy, and Perkins Engines of the UK, a subsidiary of the Varity corporation of Canada (formerly Massey-Ferguson).

Volumes tend to be small, however: Perkins produced 3,800 engines of less than 500hp in 1985, compared with more than 30,000 manufactured by Yanmar Diesel of Japan, of which 7,500 were exported to Europe.

By contrast, the total world market for engines producing between 1,600hp and 14,900hp was just 3,385 units in 1985, according to figures produced by the London-based diesel consultancy Planning Research and Systems (PRS).

Demand at the larger end of the market has been hit by a steady fall since 1981 in orders for new ships, caused by an estimated 25 per cent excess of capacity in world shipping.

The number of orders has begun to increase recently, however, partly as a result of a move towards replacing older engines in existing ships with more economical modern ones.

There is also a trend towards the installation of multiple engine units, such as those fitted to the QE2, which offer easier maintenance and service as well as the capacity to burn poor or variable fuel oil.

This has led to forecasts of a recovery in total output over the next few years, though production is unlikely to recover to 1982 levels within the foreseeable future.

PRS estimates that West European production, for instance, fell from 67,735 units in 1982 to 48,905 units in 1986, and forecasts only a slight improvement to 51,715 by 1990.

European production of large engines is dominated by MAN-B & W and Sulzer of Switzerland. Engines designed by both companies are also built under licence at shipyards around the world.

MAN-B & W says the plant fitted to the QE2 will offer Cunard fuel savings of about 250 tons per day compared with the steam turbine plant which previously powered the ship.

The unit's modern design achieves a total fuel efficency of more than 75 per cent through recovery of waste heat from cylinder cooling water, charge air and exhaust gases. This is said to be well above the level achieved by most competitive propulsion units.

Sulzer says orders for its large-scale RTA units have reached 780, with a total output of 10.84m hp since the launch of the engine in December 1981.

The company said 434 engines had entered service by the end of 1986, and claimed its RTA58 and RTA62 designs had come to dominate the mid-range market, particularly for medium-sized bulk carriers and oil tankers.

Sulzer ended 1986 on a triumphant note with a major order for five 12-cylinder RTA84 engines to power five 3,800 TEU (Twenty Foot Equivalent Units) containerships to be built for American President Lines by Howaldtswerke-Deutsche-Werft (HDW) in Kiel.

With an output of 57,000hp, these will be the most powerful single diesel engines ever built. The engines will be built by Korea Heavy Industries and Construction (KHIC) which has an existing Sulzer licence.

Both MAN-B & W and Sulzer have also been involved in the "ship of the future" programme part-financed by the West German Ministry for Research and Technology.

MAN-B & W has provided slow speed engines for two 1,546 TEU multi-purpose container ships built for Norasia Shipping Services by HDW.

Sulzer has supplied similar engines for three 1,742 tonne container/bulk carriers, also built by HDW for Norasia, and has a contract to supply engines for three further ships.

Both engine designs are intended to provide exceptionally low fuel consumption combined with easy maintenance as part of the research programme's attempt to produce a ship which can be safely manned by a crew as low as 16.

Despite the recent successes of the two major manufacturers, there is little doubt that the European engine industry as a whole continues to suffer from the uncompetitive position of many European shipyards, which have found orders increasingly hard to come by.

European yards still dominate the world market for specialist ships such as passenger cruise liners and more sophisticated cargo ships, but there are doubts about whether this is sufficient to keep all the existing engine manufacturers in business.

Moves towards rationalising over-capacity have already begun, with the merger in 1980 of MAN and Burmeister and Wain, and a link in 1984 between Kloeckner-Humboldt-Deutz and Motoren-Werke Mannheim, both of West Germany.

In addition, GMT, the engine division of Fincantieri, and Isfraschini of Italy are also in the process of fusing their marine diesel production interests.

There is speculation in the industry, however, that further mergers or production agreements may have to take place if capacity is to be reduced to a level more consistent with demand.

This could involve rationalisation of the General Electric Company group of diesel manufacturers, which embraces Paxman, Dorman, Ruston, and Kelvin in the UK, and Baudouin in France.

Kelvin, which produced 30 engines of 500 hp or more in 1985, manufactures only marine diesels, and is expected to continue to concentrate on the sector.

Of the other companies, however, Dorman produced only two marine engines of 500 hp or more in 1985, compared with 345 generating sets and 30 industrial units; while Ruston produced 18 marine engines and a total or 32 industrial and locomotive engines and generating sets.

Baudouin, which produced 38 marine engines and 68 generating sets, already has a production link with Paxman, which produced 47 marine engines and seven industrial, generating and locomotive units.

European manufacturers have had considerable success in extending their interests in shipbuilding outside Europe by licensing shipbuilders and other companies to build their engines, principally in Japan.

The dominant manufacturer in the Far East is Mitsubishi Heavy Industries (MHI) of Japan, which produced 300 engines of 500 hp or more in 1985, followed by Niigata, which produced 300, and Akasaka, which produced 150.

All three manufacturers produced some of their engines under licence from European companies, however, including MAN-B & W, Sulzer, and Alsthom of France.

European-designed engines are also made under licence by a number of other Japanese manufacturers, including Mitsui, Kawasaki, Hitachi, and Ishikawajima-Harima Heavy Industries (IHI).

Kevin Brown

The QE2: new funnels to match new engines

Marine engine production

(1985 by hp)

	0-50	51-500	500+	total
UK	3760	7734	174	11668
West Germany	1715	3113	1248	6076
France	312	833	153	1298
Italy	3022	2732	82	5836
Finland	0	200	181	381
Sweden	8450	10035	57	18542
Netherlands	0	250	139	389
Spain	1403	777	130	2310

Source: Planning Research and Systems

Construction equipment

A proliferation of smaller machines

CONSTRUCTION industry activity—most of it dependent on diesel engine power—has been in the doldrums for over a decade, if the size and number of public sector contracts in the 1960s and early '70s are taken as a datum.

Since 1980, large road-building programmes and other big-site civil engineering projects have diminished, though smaller-scale building and construction has forged ahead, to compensate for the reduction in cubic metreage of earth and tonnage of aggregates being moved on major projects.

Smaller contracts on smaller sites have meant a proliferation of smaller machines with lower-powered engines. The sheer versatility of modern mini-excavators, in particular—machines weighing under six tonnes and powered by engines of 50 horsepower or less—has brought a dramatic increase in sales, from only 30 units in 1980 to about 600 in 1986.

This spectacular growth has benefited UK plant manufacturers such as JCB, but the Staffordshire compay relies on Kubota from Japan for diesel power in its mini excavators. Lister Diesels has gained some business from the sales boom in small excavators, in installations by the Smalley concern.

Larger hydraulic excavators have seen a more modest growth in UK demand of around 16 per cent since 1980, with British-based diesel manufacturers well placed to take advantage of the move, although overseas plant producers account for over 80 per cent of 1986 sales: some 2,400 units.

Perkins diesels, built in Peterborough, power the majority of JCB's excavators of over six tonnes service weight, some 370 of which were sold in Britain last year: a 15 per cent market share.

Caterpillar, though the market segment leader, with about 22 per cent, nevertheless plans to close its Glasgow plant. The company is however self-sufficient in diesel engines, shipping them in from the US, so that UK engine suppliers will not suffer through the Cat pull-out.

Some of them, notably Perkins and Cummins, might even benefit, as contractors and plant hirers (the latter accounting for some 60 per cent of construction equipment purchases) re-appraise the relative appeal "politically" of British and imported plant in the light of Cat's impending withdrawal as a UK producer. Cummins, from its Shotts plant in Scotland, supplies Continental earthmover manufacturers like Poclain, Liebherr and O&K.

Both Cummins and Perkins, whose ranges are now more directly competitive, following the former's move down-range to include 3, 4 and 6-litre units and the latter's acquisition of Rolls-Royce Diesels and Gardner, are stepping up their efforts to influence plant buyers. The aim is to create what the engine makers call a "pull-through" effect. That means influencing the end-user, or the plant hire company, to specify (where there is a choice) the make and type of engine he requires.

In central Scotland, Caterpillar's impending plant closure is not the only upheaval in train affecting UK earthmover production and consequent engine supply. The Terex concern, originally set up by General Motors in the wake of US anti-trust laws which forced GM to dispose of its Euclid subsidiary—and with a Scottish factory close to Terex's—has undergone two further changes of ownership, the second of which brought back a GM interest.

Each time GM has had a stake in Terex, there has been a tendency to push its in-house Detroit Diesel two-stroke engines. Though engines from rivals Cummins and Caterpillar are listed, sales in Terex equipment have to be fought for.

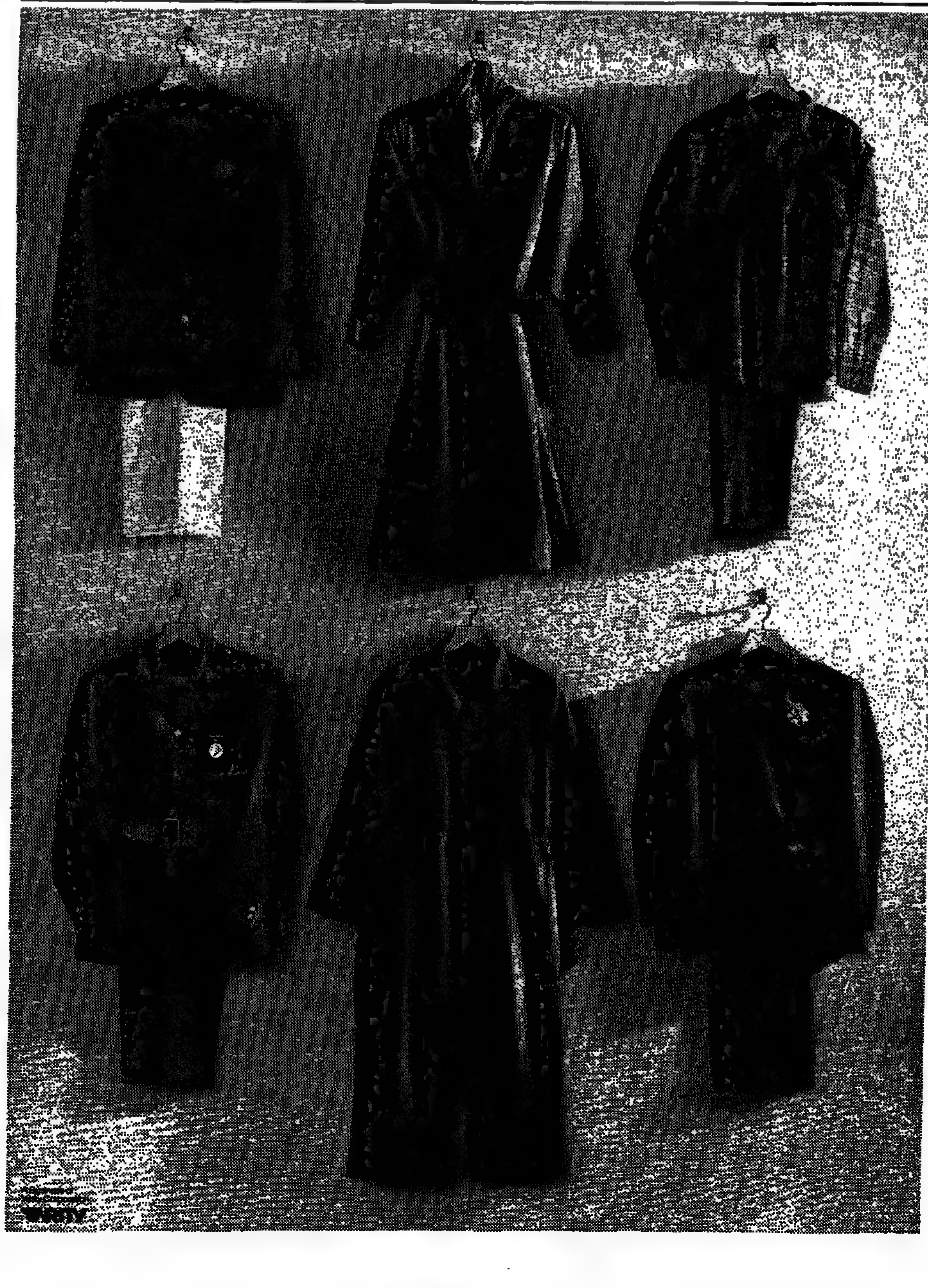
Cummins in particular has therefore welcomed the latest Terex ownership change: acquisition of a 50 per cent holding by a largely-unknown US financing conglomerate, North West Engineering.

In any case, GM is also negotiating sale of half its stake in Detroit Diesel to the agricultural machinery maker, John Deere. Both GM moves will give outside engine makers, notably Cummins and Cat, new opportunities in Terex equipment, which includes a wide range of earthmoving plant.

Smaller and often less level construction sites have increased the popularity of articulated "frame steer" dumptrucks. Sales by companies like Volvo-BM, Moxy and, from the UK, Artix (formerly DJB) and more recently Aveling-Barford and Terex into the UK, rose from 290 units in 1980 to 400 last year.

Caterpillar effectively controls Artix, its engines being fitted as a no-option standard. In AB and Terex machines there is dependence on proprietary engine makers. The artic machine is lighter and more versatile than its rigid dumptruck equivalent. As such, it has lower power (and torque) demands for a given duty, with the result that litres of necessary engine capacity, in relation to dumptruck payload, are reduced, along with unit profit for the engine makers.

Alan Bunting



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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday March 9 1987

EURONOTES AND CREDITS

Soviet bank doubles bankers' acceptance facility to £200m

THE SOVIET Foreign Trade Bank, which last week mandated First Chicago to arrange a $200m loan, is also quietly doubling to £200m a sterling bankers acceptance facility which it arranged last autumn, writes Alexander Nicoll in London.

Lloyds Merchant Bank is understood to have asked participants in the existing facility and some additional banks to take part in the expanded deal. Now with 4½ years remaining, the transaction has a 10 basis point facility fee and a maximum acceptance commission of 15 basis points above the eligible bill rate.

The facility, which has been well used given the recent attractiveness of the acceptance market, was arranged when the Bank of England agreed to treat the Foreign Trade Bank's bills, accepted by banks, as eligible for rediscount.

The Bank usually accepts only bills drawn by trading concerns, but allowed the Soviet bank to draw bills because it is the only Soviet entity allowed to raise medium-term finance.

The loan through First Chicago carries a margin of 12.5 basis points above London interbank offered rates for its entire eight-year life, the first Soviet loan to do so.

Sweden's renegotiated $1.2bn standby credit, reduced from $1.8bn, was completed last week by Chase Investment Bank with 46 banks participating. Chase also arranged a $100m certificate of deposit issuance facility for Kyowa Bank.

The deal includes a five-year committed facility for the whole amount, with a 5 basis point facility fee, a margin above Libor of 5 basis points, and a 5 basis point utilisation fee if it is more than half drawn.

Electricidade de Portugal, which has renegotiated a number of previous loans, is testing the water for still finer terms with a rearrangement by Sumitomo Bank of a $50m eight-year loan signed in 1981 and with $43m still outstanding, with a remaining average life of only 1.4 years.

The margin is being reduced from 50 basis points to 15, and there is a 4 basis point renegotiation fee. Previous renegotiations have been at 20 to 25 basis points.

The loan was divided equally between five Japanese and five other banks, and Japanese banks are expected to take up the slack caused by any drop-outs.

Lombard North Central, the finance house subsidiary of National Westminster Bank, is to have a £250m certificate of deposit (CD) issuance programme permitting maturities between seven days and five years, the first for a UK finance house. It is arranged by S. G. Warburg with County NatWest Capital Markets, and they will be the two dealers.

Also in the sterling markets, Rank Organisation, the UK entertainments and catering group, appointed County NatWest Capital Markets, Swiss Bank Corporation International and Samuel Montagu as dealers for a £100m sterling commercial paper programme.

The London branch of Industrial Bank of Japan appointed Lloyds, Montagu, Morgan Grenfell and Warburg as dealers on a £200m CD programme.

Shearson Lehman Brothers International is arranging a $250m Eurocommercial paper programme for Lomas & Nettleton, a US real estate investment trust, with Barclays Bank as co-dealer. Den Danske Bank's London branch will have a Euro-CD programme of unspecified size arranged by Salomon Brothers International.

Elsewhere, moves towards establishing a benchmark index for Eurocommercial paper are expected to take a step forward this week as members of the Euronote Association discuss technical advice provided to them by the Bank late last year to collaborate with the market in establishing an index.

Hoechst issue heads $6bn deluge

THE FLOODGATES opened in the Eurobond market last week as almost $6bn in deals came to market in a broad selection of currencies, writes Stephen Fidler in London.

As exhausted syndicate teams left for home, much of the new issue volume seemed likely still to be in the hands of the dealers.

This was particularly so in the dollar straight sector, which saw nine new issues totalling $1.83bn, including a $500m three-part bond for West Germany's Hoechst.

Hoechst is a popular name among Euromarket investors, and Dresdner Bank priced the deal relatively generously.

But while the $100m of five-year paper was quickly swallowed, the $300m of seven-year paper and $100m of 10-year bonds threatened the market with indigestion. Eurobond investors, particularly those in Switzerland, are showing little inclination these days to buy longer-maturity paper.

Despite this, the Hoechst issue was regarded by many as the deal of the week, proof that the Eurobond borrowers could still come to the market in size without disastrous consequences.

Others were less positive, particularly after two household US names came to market early on Friday for a total of $600m of three-year money.

Swiss Bank Corporation International priced prime-rated IBM Credit at 20 basis points over US Treasuries. This was widely regarded as the tighter of the two deals, particularly after the $300m issue in the same maturity by that borrower last month.

Credit Suisse First Boston thought a 48 basis point spread appropriate for the lesser-rated General Motors Acceptance Corporation (GMAC).

The names of the lead managers betrayed the hoped-for home of much of the paper. But even though both issues tried to tap a shorter maturity, presumably drawing a lesson from the Hoechst deal, they were not universally well received.

The problem for the issues, according to some syndicate managers, appears to be twofold.

Investors in the primary Eurobond market are not willing to accept the lower yields that would satisfy a US-based investor. They are also demanding a greater reward than their American counterparts for taking on the risks associated with longer maturities.

US-based investors have been driving yields down in the secondary market. But they cannot operate in the new-issue market, suggesting yield premiums over the secondary market are necessary to ensure new issues are well received.

There was no let-up in the volume of Australian dollar issues, despite increased resistance from the West German retail investors who have taken up much of the recent issues.

Plenty of paper is still in the hands of dealers, but the money that can be made on the currency swaps that are usually behind the issues repeatedly tempts lead managers to bring just one more.

Part of the problem for these new issues is the inverse yield curve in Australian dollars, which makes it expensive to finance bond inventories.

Two issues this week for Australian banks, both led by Swiss Bank Corporation International, addressed that problem.

SBCI raised the size of its first issue, for the Commonwealth Bank of Australia (CBA), to A$125m from the originally planned A$100m, while the State Bank of South Australia came on Friday for A$50m.

The CBA bonds, rated AAA by Moody's, initially carry a 16 per cent coupon and a 101 issue price, but the coupon is refixed annually in line with the rate on Australian Treasury bonds with one year left to mature. At the same time, the holder has the option to put the bond at par.

The put option means that investors can avoid currency risk by hedging their Australian dollar positions over the year.

Award for the bravest issue of the week went, by common consent, to Shearson Lehman Brothers International, which brought a $100m floating rate note for Marine Midland.

This has not been the most popular sector of the market among investors in recent weeks. In addition, many Japanese buyers, who have supported this market in the past, have gone to ground ahead of the end of their financial year.

Recognising this, Shearson priced the 12-year issue at ¼ point over three month London interbank offered rates (Libor), in line with the bank's first issue in 1982 when the market was young. Nevertheless, it still took time for it to put together a management team.

The issue was indicated at a discount of 75 basis points, exactly that implied by the full fees, a price which dealers said had benefited from the support offered to the deal by Shearson.

EUROMARKET TURNOVER
Turnover ($m)

Primary Market	Straights	Conv	FRN	Other
US$	3,294.2	[illegible]	728.3	4,508.0
Prev	1,114.2	[illegible]	1.8	4,812.9
Other	[illegible]	1,072.6	10.8	180.2
Prev	3,382.2	1.3	–	180.8
Secondary Market				
US$	19,407.3	1,503.4	19,570.4	6,800.0
Prev	18,553.8	1,595.0	12,823.5	6,538.3
Other	18,703.2	724.0	3,028.2	8,133.7
Prev	19,130.4	249.0	2,407.3	8,957.4

	Cedel	Euroclear	Total
US$	16,257.4	39,942.7	55,100.1
Prev	[illegible]	32,925.6	44,881.9
Other	[illegible]	21,638.5	35,404.9
Prev	[illegible]	18,903.7	34,294.4

Week to March 1987 Source: AIBD

TWA plan to take over USAir rejected by US Government

BY RODERICK ORAM IN NEW YORK

TWO US Government agencies have rejected the application by Trans World Airlines, controlled by Mr Carl Icahn, the leading corporate raider, to take over USAir, the country's 11th largest carrier.

The Transportation Department, backed by the Justice Department, said the application "clearly fails to comply" with federal rules on airline mergers and did not provide the data and analysis necessary for the agencies to determine whether the $1.65bn takeover would be anti-competitive or in the public interest.

TWA responded by saying it would file "a perfect and complete application" today.

Industry experts familiar with the regulatory process said such a rejection was relatively rare and could indicate that the Government would take a hard line with Mr Icahn.

The haste and inadequacy of TWA's application was further evidence to those Wall Street analysts who believed Mr Icahn's main purpose for the bid was to trigger a counter-offer from USAir so he could liquidate his investment in TWA.

● Lucky Stores and Mr Asher B. Edelman have agreed on a settlement of disputes between them, AP-DJ reports from California.

Under the agreement, the pending litigation between the parties will be dismissed, and Mr Edelman will withdraw his motion to intervene in pending shareholder actions against Lucky Stores and its directors.

The company said the agreement contained standstill provisions which prohibit Mr Edelman and his group, for three years, from taking specified actions affecting control of the company. It limits the beneficial ownership of Lucky stock by Mr Edelman and his group to less than 5 per cent of any class of voting securities.

The standstill provisions will also apply to Hancock Fabrics after it is spun off to Lucky stockholders.

Under the agreement, Lucky has reimbursed the Edelman group for $2.8m of out-of-pocket expenses.

Perelman considers bid for control of Revlon

BY OUR NEW YORK STAFF

MR RONALD PERELMAN, one of the most active US corporate raiders last year, is weighing up a $720m bid for the majority stake in Revlon, the cosmetics group where he won a strategic interest in late 1985 after a long and bitter battle.

MacAndrews & Forbes, a private holding company controlled by Mr Perelman, said it was considering making an offer of $18.50 a share for the 66 per cent of Revlon it does not already own. The shares were the most active New York Stock Exchange issue on Friday with 4.7m traded as the price rose $3.50 to $18.25.

Although Mr Perelman has said in recent months that he intends to keep Revlon a public company, speculation on Wall Street that he would consolidate his holding had pushed up shares from a recent low of $11.

Revlon might be worth about $25 a share, analysts believe, but an accurate estimate is difficult of the heavy debts it has taken on to finance a spate of acquisitions under Mr Perelman.

Late last year Mr Perelman launched three raids in quick succession on Gillette, Transworld and CPC International. Although all three bids failed, his share stakes netted him large profits.

Analysts suggest Mr Perelman's change of strategy stems from frustration at having to answer to Revlon's that hostile takeovers face in the wake of insider trading scandals.

Exchange seat for Toronto bank

By Bernard Simon in Toronto

TORONTO-DOMINION Bank has become the first bank to unveil plans for acquiring a trading seat on a Canadian stock exchange in advance of the anticipated entry of banks into the domestic securities industry on June 30.

T-D, widely recognised as among the more forward looking of Canada's six big banks, said that it had agreed to buy a seat on the Toronto stock exchange for C$195,000 (US$146,341) from a small domestic securities firm, Hector Chisholm and Company.

Mr Robin Korthals, T-D's president, said that the bank might set up a new subsidiary, to use the TSE seat for executing orders placed through the banks' Green Line investor service – a discount brokerage unit which caused a stir in the Canadian investment community when it was launched three years ago. T-D is obliged by law to channel Green Line orders through registered security dealers.

Mr Korthals said that the bank might also create a separate unit for corporate underwriting business depending on the final form of legislation for Canada's 'Big Bang' or deregulation, being drawn up by federal and provincial authorities.

The price of the seat to be bought by T-D is well above levels at which TSE seats have recently changed hands. But the move is a cheap way of entering the securities business, compared to the alternative of buying an existing dealer.

The latter course has a number of disadvantages for the banks including the hefty premiums over book value commanded by securities dealers' shares and the uncertain loyalty of a target firm's managers.

Bank of Nova Scotia has also set up a new subsidiary as a vehicle for entering the securities business. But several banks, both domestic and foreign, have explored the feasibility of takeovers of Canadian securities firms.

UK GILTS

Strong sterling lures overseas investors

LAST WEEK'S startling price gains went to show that pre-Budget and pre-election fever can turn the head of even the most prudent investor in UK government bonds.

Only the week before, it had seemed sensible to sit on the gains made over recent weeks and relax until March 17 when portfolio decisions could be made on the facts rather than forecasts of the Chancellor's package.

But then events and a mood took over. The yield on the benchmark 11¾ per cent Treasury stock due 2003-07 fell from around 9.67 per cent on Friday, February 27, to 9.29 per cent at the end of last week. Sterling raced to its highest level since August last year on Friday to 72.0 on its trade weighted index, a leap of more than 4 per cent since the Paris accord on stabilising currencies.

The pound's sudden extreme popularity formed a vicious circle for the authorities to cope with, just when they too were trying to settle down for a quiet couple of weeks until Budget time. Two weeks ago, the Bank of England's signals to money markets that it was not prepared to see a fall in base lending rates were pretty well accepted and money market rates firmed up again in acquiescence.

But sterling's surge, coupled with Mr Lawson's post-Paris remark that he did not want the exchange rate to rise too far, triggered off an even more virulent strian of interest rate speculation. The Bank then had to up the stakes by penalising the money market with an 11¼ per cent rate on borrowing, and that pushed the pound up even more.

Sterling strength tipped the balance for some overseas investors in favour of gilts. Not only had those who had ventured into the market in January seen some hefty price gains on their investments, but there now seemed a currency gain to be had as well.

There are of course some sound reasons for optimism about the UK economy and therefore gilts. Manufacturing output is growing steadily and exports are improving. Government finances are in a very healthy state, indeed. UK interest rates, whether or not there will be a half or full percentage point cut before or after the Budget, will still be high on an international comparison and make sterling securities attractive.

On the technical front, the market looks very strong. A low public sector borrowing requirement next year, coupled with the recent buying-in of gilts due for redemption in 1987-88 and the substantial calls on recently issued stock in April should get the next financial year off to a very confident start.

Indeed, some of the buying recently may have been inspired by talk of a stock squeeze next year if the funding requirement is as light as it seems likely to be from current guesswork. (All this assuming that the Labour Party does not win the election with a workable majority).

"In comparison with previous years, the coming year's gilt sales programme looks particularly light and should be a fundamentally favourable factor underpinning the gilt market in 1987," says Mr Paul Temperton, chief gilts economist at Merrill Lynch Capital Markets.

There are even those bulls who suggest that institutions both in the UK and overseas could find themselves chronically and irreversably underweight in gilts with too much money chasing too few bits of paper.

However, perhaps some of the Bank's stubborn resistance to lower interest rates may have more to it than just a nod and wink from Downing Street. Could it just be that there are some fundamental concerns about lowering rates?

On economic grounds, it could be argued that the economy is already growing too fast and will grow even faster under the influence of tax cuts and lower rates. Even on political grounds, if the Government wants to wait for an autumn election, would it not be foolish to risk sterling and at the same time use up all its ammunition?

Current optimism is based on an absolute conviction that the Chancellor will cut taxes and borrowing in the Budget. What if he does not, and goes for 4p off the basic rate and unchanged borrowing? And what if the Conservatives do not win the election with a resounding majority?

Janet Bush

US MONEY AND CREDIT

Employment surge hits bond prices

US CREDIT markets were jolted on Friday by news of a surge in employment which appeared to set the scene for a pick-up in the pace of the economy and diminishing near-term hopes for lower interest rates. Bonds, already under pressure from rising oil prices, dropped as much as ½ of a point.

The creation of 337,000 jobs in the US in February, double the number expected, coupled with a sizeable lengthening of the work week and higher earnings, indicated the economy was gaining steam from January's slackness. The employment figures are among the first each month and often set the tone for subsequent data.

In the manufacturing sector, for example, employment has risen in four of the last five months—"unmistakably indicating some sort of an upturn and certainly, at the least, the end to the worst in the malaise of the manufacturing sector," according to Mr Allen Sinai, chief economist for Shearson Lehman Brothers.

Caution

The weakness of January's figures was partially a reaction to the strong demand created late last year by tax reforms. The December/January split was clearly shown by several statistics such as retail sales (up 4.6 per cent in December; down 5.8 per cent in January), durable goods orders (up 1.5 per cent; down 6.7 per cent), non-defence capital goods orders (up 5.4 per cent; down 6.3 per cent) and lending economic indicators (up 2.3 per cent; down 1 per cent). Another sign of February's rebound was a recovery in car sales to 9.9m at an annual rate from 8.1m in January.

An element of caution is necessary in interpreting the data, though, warned Griggs and Santow, a firm of money market economists. The weak figures probably understated the economy's true performance just as the strong numbers expected in coming weeks will probably overstate the trend. Nonetheless, many analysts will be revising upwards their estimates of the first quarter growth rate for gross national product. A rate "of 3 per cent should be quite common," Griggs and Santow suggested.

Bond investors and traders this week get three more key economic figures for February to mull over. Thursday brings retail sales which are likely to show a rise of about 1 per cent from January's levels, according to a consensus of economists' forecasts.

Producer prices and industrial production will be released on Friday. Prices could be about 0.4 per cent higher than in January which in turn had been up 0.6 per cent from December because of a near 10 per cent jump in energy costs. Production is forecast to have increased 0.2 per cent last month from January's levels which had been up 0.4 per cent from December.

Interest

The impact of these numbers on the Federal Reserve Board's credit policies and thus interest rates is fairly predictable. Although the Fed "may not believe that the strength of the February data can be sustained, the numbers will probably be relied on until there is evidence to the contrary," said Griggs and Santow. "Therefore, for those who are hoping for some near-term easing of policy, their chances have gone down the drain with the publication of the employment data."

But on the positive side, the faster economic pace does not yet carry too strong a threat of a higher inflation rate and thus sharply lower bond prices. Commodity prices overall were lower in February than in January even though oil rose rapidly. West Texas intermediate, the benchmark of US crude, added a further $1.50 a barrel last week to $18.13.

It seems likely that bond prices will remain stuck in the narrow trading range which has characterised their performance since last spring. The lack of opportunity for capital appreciation from rising prices has caused investors to look outside the government and corporate bond markets.

The lure elsewhere has been strong. The Standard and Poor's 500 stock index showed a total return (capital appreciation plus dividends) of 3.9 per cent in February and 14 per cent in January. In contrast, bond markets as measured by the Shearson Lehman bond index managed a total return of only 0.66 per cent in February and 1.37 per cent in January.

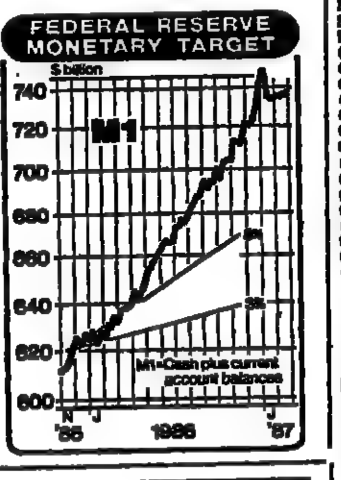
Junk, or high yield bonds, have been the one perky area of the bond markets of late. The First Boston High Yield index advanced 1.3 per cent in February following a 4.2 per cent rise in January.

The price rally reflected on one hand rising demand from investors seeking a better yield than available in government or investment-grade corporate bonds and on the other a shortage of supply of new bonds. In late 1986 and early this year a number of jumbo junk bond issues were cancelled when the takeovers theiy were designed to finance were aborted in the wake of insider trading scandals and a closing of the year-end tax window.

The new issue market has revived in recent days, though. Drexel Burnham Lambert, the pioneer of junk bonds, brought two issues totalling $1.4bn to market last week for Holiday Inns. The proceeds will finance a recapitalisation. First Boston is due to launch soon a $1bn issue for Allied Stores.

Roderick Oram

FEDERAL RESERVE MONETARY TARGET



US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	5.98	5.97	6.10	11.34	5.71
Three-month Treasury bills	5.64	5.44	5.49	6.88	5.01
Six-month Treasury bills	5.66	5.45	5.55	6.68	5.06
Three-month prime CDs	6.13	6.15	6.09	7.39	5.46
30-day Commercial Paper	6.08	6.08	5.98	7.70	5.55
90-day Commercial Paper	6.05	6.00	5.95	7.45	5.45

US BOND PRICES AND YIELDS (%)

	Last Friday	Change on week	Yield	1 week ago	4 wks ago
Seven-year Treasury	99⅞	−0⅛	6.71	6.97	6.92
20-year Treasury	117⅛	−0⅛	7.65	7.63	7.66
30-year Treasury	99⅞	−0⅞	7.51	7.47	7.46
New 10-year "A" Financial	N/A	N/A	8.00	8.00	8.00
New "AA" Long utility	N/A	N/A	8.60	8.70	8.63
New "AA" Long industrial	N/A	N/A	8.45	8.55	8.50

Source: Salomon Bros (estimates).

Money Supply: In the week ended February 23 M1 rose by $1.8bn to $738.5bn.

NRI TOKYO BOND INDEX

December 1983 = 100	5/3/87	Average yield (%)	Last week	12 wks ago	26 wks ago
Overall	136.86	4.26	135.86	131.30	128.63
Government Bonds	137.94	3.91	137.01	132.11	129.78
Municipal Bonds	137.58	4.69	135.98	131.69	128.24
Government-guaranteed Bonds	138.61	4.74	136.94	132.36	128.88
Bank Debentures	132.05	3.93	131.54	127.75	125.29
Corporate Bonds	135.50	5.19	134.86	129.94	127.25
Yen-denominated Foreign Bonds	136.06	6.26	135.71	132.40	129.73
Government 10-year†	5.03	—	5.08	5.40	5.27

† Estimated par yield.

Source: Nomura Research Institute.

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Bid price	Chg. on week	Yield
ABN Bank 8½ 91	150	103⅞	+0⅛	7.57
AHFC O/S Fin 11⅞ 94	100	102½	0	11.21
AIDC 11 89	75	106½	+0⅛	7.20
[illegible]				
Philip Morris 9⅞ 96	200	110	+0⅛	8.44
Post Och Kred 13½ 87	50	102⅛	0	7.24
Postipankki 11½ 90	75	105½	0	7.62
Proctor & Gam [illegible] 95	150	111¼	+0⅛	8.06
Pru Rlty Secs 0 [illegible]	385	37½	+0⅛	8.32
[illegible]				
Penney J C 12⅞ 91	100	112¼	0	9.30
Pepsico Capital 8⅞ 91	100	103½	0	7.35
Petro-Canada 7⅞ 96	200	95⅛	+0⅛	7.97

CONVERTIBLE BONDS	Issued	Bid price	Chg. on week	Prem
Elders UK 5⅞ 98	175	116⅛	+0⅛	−1.82
Fanuc 3⅛ 98	80	218½	−6½	−0.58
Fujitsu 3 99	180	0		
Gibraltar Savings 7½ 06	100	107⅛	0	18.64
ITT 4⅞ 87	80	115½	+4½	−6.65
[illegible]				
Citizen Watch 3 00	50	0		
Eastman Kodak 8⅞ 01	300	118	0	16.09

BOND WARRANTS	Expiry date	Bid price	Chg. on week	Prem.
[illegible]				
Wlls Frgo A 12⅞ 91	27/12/89	170	+5	8.19
Weyerhsr C 11½ 90	16/11/[illegible]	86⅞	+1½	8.17

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=current coupon.
CONVERTIBLE BONDS: US dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.

WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.

Closing prices on March 6.

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New issue — 11th February, 1987

Charter Consolidated P.L.C.

(Incorporated in England under the Companies Act, 1948)

U.S. $75,000,000

8¼ per cent. Notes due 1994

Issue Price 100¼ per cent.

Union Bank of Switzerland (Securities) Limited	Barclays de Zoete Wedd Limited
Citicorp Investment Bank Limited	County NatWest Capital Markets Limited
Morgan Grenfell & Co. Limited	Standard Chartered Merchant Bank Limited
The Bank of Nova Scotia	Crédit Lyonnais

Morgan Stanley International

This announcement appears as a matter of record only.

New issue — 15th January, 1987

U.S. $247,000,000

European Atomic Energy Community (EURATOM)

7¾ per cent. Notes due 1997

Issue Price 101⅛ per cent.

Union Bank of Switzerland (Securities) Limited	LTCB International Limited
Prudential-Bache Securities International	Westdeutsche Landesbank Girozentrale
Banca Commerciale Italiana	Banco de Bilbao S.A.
Banco di Roma	Bank Bruxelles Lambert S.A.
Commerzbank Aktiengesellschaft	Credit Suisse First Boston Limited
Daiwa Europe Limited	Dresdner Bank Aktiengesellschaft
Generale Bank	Genossenschaftliche Zentralbank AG-Vienna
Kuwait Investment Company (S.A.K.)	Société Générale

This announcement appears as a matter of record only.

New issue — 12th January, 1987

JACOBS SUCHARD

U.S. $150,000,000

Jacobs Suchard International Finance (Cayman) Ltd.

(Incorporated with limited liability under the laws of the Cayman Islands)

3 per cent. Guaranteed Notes due 1994
with "A" and "B" Warrants to acquire
300,000 Bearer Participation Certificates of Sfr.50 par value each of,
and unconditionally guaranteed by,

Jacobs Suchard Ltd

(Incorporated under the laws of Switzerland)

Issue Price 100 per cent.

Union Bank of Switzerland (Securities) Limited

Credit Suisse First Boston Limited	Deutsche Bank Capital Markets Limited

Swiss Bank Corporation International Limited

Julius Baer International Limited	Banque Bruxelles Lambert S.A.
Banque Paribas Capital Markets Limited	Commerzbank Aktiengesellschaft
Dresdner Bank Aktiengesellschaft	Genossenschaftliche Zentralbank AG-Vienna
Kidder, Peabody International Limited	Leu Securities Limited
Morgan Guaranty Ltd	Morgan Stanley International
Nomura International Limited	Société Générale
Swiss Volksbank	S. G. Warburg Securities

Wood Gundy Inc.

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New issue — 11th February, 1987

U.S. $100,000,000

Nestlé Holdings, Inc.

5 per cent. Bonds due 1997
with Warrants issued by Nestlé's Holdings Limited, Nassau to acquire
50,000 Bearer Participation Certificates of Sfr. 20 nominal value each of

Nestlé S.A.

Offering Price of the Bonds with Warrants: 100 per cent.
Offering Price of the Bonds: 84 per cent.
Offering Price of the Warrants: 16 per cent.

Union Bank of Switzerland (Securities) Limited

Credit Suisse First Boston Limited	Swiss Bank Corporation International Limited
Bankers Trust International Limited	Crédit Commercial de France
Deutsche Bank Capital Markets Limited	Dresdner Bank Aktiengesellschaft
Leu Securities Limited	Morgan Guaranty Ltd
Salomon Brothers International Limited	Société Générale
Swiss Volksbank	S. G. Warburg Securities
Julius Baer International Limited	Banca della Svizzera Italiana
Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft	HandelsBank N.W. (Overseas) Limited
Lombard, Odier International Underwriters S.A.	Pictet International Ltd
Schweizerische Hypotheken- und Handelsbank	Swiss Cantonalbanks

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Sime Darby earnings drop

BY WONG SULONG IN KUALA LUMPUR

SIME DARBY, Malaysia's largest non-oil company, has reported a 22 per cent drop in pre-tax profit to 77.3m ringgit ($30.9m) for the first half to December last year. Turnover, however rose 11 per cent to 1.16bn ringgit.

Profit after tax and minorities was down 9 per cent at 35.8m ringgit or 3.9 cents per share. There was also an extraordinary gain of 27m ringgit (78m previously), due largely to the sale of 10 per cent of Consolidated Plantations.

Sime is maintaining its interim dividend of 3 cents.

Earnings from the plantation division, Sime's biggest unit, were more than halved to 20.3m ringgit due to the sharp drop in palm oil prices.

Average palm oil prices obtained were only 550 ringgit, which is barely profitable.

The encouraging news was from the tractors division, the second biggest unit, which, after four years of rapid contraction, has finally managed to turn around. It reported a small profit of 7.5m ringgit.

Earnings in Hong Kong, Singapore and the Philippines remained steady, reflecting the improved economic and political conditions in those countries.

Sime is cautious about its second half prospects, but better palm-oil and timber prices should give a boost to earnings.

The results of the group's listed subsidiaries, Consolidated Plantations, Tractors Malaysia, United Estates Projects, and Dunlop Malaysian Industries have also been released.

Consplant had after-tax profit of 12.4m ringgit for six months to December (24.3m ringgit previously). Turnover was 235m ringgit (334m ringgit previously). Interim dividend is 4 cents (unchanged).

Tractors Malaysia had an after-tax profit of 9.5m ringgit (800,000 ringgit previously).

● Boustead Holdings, a diversified Malaysian group, saw pre-tax-profit plunge 72 per cent to 5.66m ringgit from 20.2m ringgit for the first half to December last year due to the Malaysian recession. It is cutting its interim dividend by half to 2.5 cents. Turnover fell 17 per cent to 145m ringgit.

The poor results were largely due to weak commodity prices, particularly for palm oil.

Paris sets privatisation price for regional bank

BY GEORGE GRAHAM IN PARIS

THE FRENCH Government has fixed a price of FFr 125 a share for the privatisation of Sogenal, valuing the regional bank group at FFr 1.6bn ($261m).

The price is at the top of the range of expectations, but French brokers still expect the bank's shares to sell well. Sogenal has concentrated its publicity on its home region of Alsace and will be listed on the stock exchange of Nancy.

Sogenal is raising FFr 285m of new funds by a capital increase immediately before the offer for sale, which opens today. The capital increase will leave the company's majority shareholder, the major French bank Société Générale, with an unchanged majority stake of 52.6 per cent.

The overwhelming success of the last company to be privatised in France, the investment banking group Paribas, has caused considerable concern that a flood of investor demand might swamp the much smaller Sogenal.

Sogenal has therefore divided its shares by eight in order to have more paper to meet applications. In addition, the relatively high price fixed by Mr Edouard Balladur, the French Finance Minister, is expected to avert excessive demand.

The French Government has been advised on the privatisation by Banque Privee de Gestion Financière, helped by Hambros Bank of the UK.

● The Finance Ministry has set a price of FFr 335 per investment certificate for a public offering of the state's rights to a FFr 2.5bn one-for-five rights issue of certificates by Rhône-Poulenc which opens today, Reuter reports.

Aquino sets April 15 deadline for decision on San Miguel

BY RICHARD GOURLAY IN MANILA

PHILIPPINE President Corazon Aquino has stepped into a controversy over control of San Miguel, the country's largest industrial company, which revolves around the beer-based consumer group's plan to buy back over a third of its outstanding shares.

Mrs Aquino set a deadline of April 15 for a new commission to decide how 38m San Miguel shares, worth at least $185m at market rates and currently sequestered by the Government should be sold and to whom.

The shares were sequestered last April, when San Miguel made its first attempt to buy back the shares. A Government commission blocked the deal, suspecting that the sale proceeds might go to business associates of former President Ferdinand Marcos who together are alleged to have stolen millions of dollars from the country during his last years in office.

The President's intervention follows a week of heated exchanges between Mr Ramon Sy, chairman of the United Coconut Planters Bank (Cocobank) which controls the sequestered shares and San Miguel's president, Mr Andres Soriano III.

After securing a seat on San Miguel's board last week, Mr Sy immediately attacked the San Miguel plan to buy back the shares, saying it "severely weakens the financial structure, has no valid business reason," and damages its shareholders and its creditors.

San Miguel proposed to offset about 18.2m of its shares against assets it claims are held by Cocobank. The balance of 19.8m shares will be bought by institutional investors, including companies controlled by Mr Soriano.

San Miguel has denied Mr Sy's charges.

Modest rise in yearly earnings for Heineken

By Laura Raun in Amsterdam

HEINEKEN, the Dutch brewery, reported that its earnings rose a relatively modest 7½ per cent to Fl 285.3m ($137m) last year from Fl 265.5m in 1985 as the lower dollar pressured results.

Sales increased 4.4 per cent to Fl 6.68bn from Fl 6.4bn mostly due to the full consolidation of El Aguila, the Spanish brewery, last year. The weaker dollar curbed turnover.

Heineken is considered the world's most international beer with respectable sales in the US and a growing presence in the Far East as well as Europe.

Outokumpu reports plunge into red

BY SARA WEBB IN STOCKHOLM

OUTOKUMPU, the Finnish state-owned mining and metals company, showed a marked reversal in 1986 because of lower metal prices combined with the falling dollar and sterling.

The company lost FM 83m ($18.4m) before taxes and appropriations, compared with a profit of FM 355m in 1985. The management believes Outokumpu will return to profit in 1987.

Turnover increased 41 per cent to FM 7.152bn, mainly through acquisitions. Overseas markets accounted for 68 per cent of sales.

The company's entire base metal operations – mining and metallurgy – showed weaker profitability. The biggest fall was in cobalt production and management had to cut production levels to stem losses. Outokumpu said it might be forced to close its cobalt production if profitability did not improve this year.

Copper production, which increased through the acquisitions of the Swedish companies Metallverken and Wirsbo Bruk, was reasonably profitable, and the steel division showed good profitability.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book Runner	Offer yield %
U.S. DOLLARS							
Mitsubishi Estate Co. ¶‡	300	1994	7	3	100	Nikko Secs. (Europe)	3.000
Best Denki ¶‡	70	1992	5	3	100	Nikko Secs. (Europe)	3.000
Omron Tateisi Elec. §‡	150	2002	15	2⅝	100	Nomura Int.	2.642
Fiat Finance & Trade ‡	100	1991	4	7¼	101⅛	Morgan Stanley	6.919
Saab-Scania ‡	150	1992	5	7⅜	101⅜	Morgan Guaranty	7.320
Neder'se Gasunie ‡	100	1992	5	7⅛	101⅛	Citicorp Inv. Bank	6.976
MONY Funding ‡	125	1997	10	8⅛	101½	Citicorp Inv. Bank	7.992
IFC** ‡	50	1997	10	7⅝	99⅝	Bank of Tokyo Int.	7.662
Hoechst Investment ‡	100	1992	5	7⅜	100⅝	Dresdner Bank	7.222
Hoechst Investment ‡	300	1994	7	7⅞	100⅝	Dresdner Bank	7.732
Hoechst Investment ‡	100	1997	10	8¼	101	Dresdner Bank	8.100
Kawamatsu-Gosho ‡	75	1994	7	8⅛	101½	Nomura Int.	7.838
Ashikaga Bank §	50	2002	15	(2¼)	100	Nomura Int.	*
Hokkaido Bank §	30	2002	15	(2¼)	100	Nomura Int.	*
Sumitomo Bk Cap. Mkts ‡	100	1992	5	7½	101⅛	Shearson Lehman Bros.	7.103
Gunma Bank §	50	2002	15	(2¼)	100	Nomura Int.	*
Matsushita El. Trading ¶	100	1992	5	(2¾)	100	Nomura Int.	*
Mitsui & Co. ¶	150	1992	5	(2¾)	(100)	Nomura Int.	*
Mitsui & Co. ¶	150	1994	7	(3)	(100)	Nomura Int.	*
GMAC ‡	300	1990	3	7	101½	CSFB	6.576
IBM Credit Corp. ‡	300	1990	3	6⅝	101⅛	SBCI	6.200
Mitsui Real Estate ¶	200	1992	5	(2¾)	100	Nomura Int.	*
Marine Midland Bk (d) †‡	100	1999	12	¼	100	Shearson Lehman Bros.	—
CANADIAN DOLLARS							
Victoria Pub. Ath. Fin. ‡	100	1992	5	9½	100⅝	Wood Gundy	9.342
Scotia Mortgage ‡	100	1992	5	9⅝	100¾	Wood Gundy	9.559
Ville de Quebec ‡	40	1997	10	9	100½	Societe Generale	8.922
Canada Zero ‡	150	2001	14	0	30.0	CIBC Ltd.	8.900
AUSTRALIAN DOLLARS							
[illegible] Fin. ‡	50	1990	3	15½	101⅞	Orion Royal Bank	14.800
Hamburgische Landesbk ‡	50	1991	4	15	101½	Orion Royal Bank	14.400
M'te dei P'schi d'Siena ‡	40	1990	3	15½	101½	Mitsui Finance	14.345
General Elec. Cr. Corp. ‡	75	1990	3	15	101⅝	Hambros Bank	14.404
C'wealth Bk Australia (b) ‡	125	1992	5	16	101	SBCI	—
McDonald's Corp. ‡	75	1991	4½	14⅝	101¼	Bayerische Vereinsbank	14.105
St. Bk Sth Australia (e) ‡	60	1992	5	16¼	101	SBCI	—
D-MARKS							
Japan S'thetic Rubber ¶	100	1992	5	(2¼)	100	BHF-Bank	*
Statoil ‡	200	1997	10	6¼	100	Deutsche Bank	6.250
Statoil ‡	200	1993	6	5⅝	100¼	Deutsche Bank	5.575
World Bank** ‡	250	1992	5	5⅜	100	DG Bank	5.375
SWISS FRANCS							
Dai-Ichi Hotel** ¶‡	50	1992	—	1⅝	100	Swiss Volksbank	1.625
Omron Tateisi Elec.** §‡	60	1992	—	1½	100	UBS	1.500
Shimachu Corp.** §‡	70	1992	—	1½	100	SBC	1.500
Jutland Telephone ‡	75	1997	—	4¾	100	UBS	4.750
Standard Oil** ɸ‡	154	1997	—	3¼	100	Credit Suisse	3.250
Dow Chemical ‡	200	1999	—	4¾	100¼	UBS	4.722
Sapporo Breweries** ‡	100	1992	—	4⅝	100¼	SBC	4.568
Tokyo Tatemono Co.** §	80	1992	—	(⅞)	*	UBS	*
THK Co.** ‡	50	1992	—	4⅝	100⅛	UBS	4.596
Taihei Kogyo Co.** ‡	40	1992	—	4⅝	100¼	SBC	4.593
Oest. Draukraftwerke ‡	100	1997	—	4¾	100¼	SBC	4.718
Dai-Ichi Katei Denki** §	45	1992	—	(1⅝)	(100)	Bqe Paribas (Suisse)	*
Gunze Sangyo** §	25	1992	—	(1⅝)	*	Swiss Volksbank	*
Nippon Yusen KK ‡	110	1992	—	4½	100¼	Credit Suisse	4.443
FRENCH FRANCS							
EEC ‡	800	1997	10	8¾	99½	BNP	8.827
ECUs							
Merrill Lynch ‡	100	1990	3	7⅛	101	Banque Paribas	6.994
KB [illegible] ‡	75	1991	4	7½	101½	CSFB	7.057
[illegible] ‡	50	1993	6	7½	101½	BGL	7.194
Michelin Finance ɸ‡	65	1990	3½	4½	100⅛	Salomon Brothers	4.453
STERLING							
Commerzbank ‡	50	1992	5	9⅝	101¼	Samuel Montagu	9.301
Tesco §‡	115	2002	15	4	100	CSFB	4.000
Deutsche Bk Fin ‡	75	1997	10	9⅞	101¾	Kleinwort Benson	9.585
Dai-Ichi K'gyo Bk (Ned.) ‡	50	1992	5	9⅝	101⅜	Dai-Ichi Kangyo Int.	9.297
American Ex. O'seas ‡	40	1994	7	10	101⅞	Shearson Lehman Bros.	9.628
Pirelli UK Int. ‡	50	1992	5	10	101½	BZW	9.600
TMC M'gage Secs. 1 (c) †‡	280	2014	5–8	25bp	100	Salomon Brothers	—
American Brands ‡	50	1994	7	9½	99⅝	Morgan Grenfell	9.551
GUILDERS							
World Bank** ‡	100	1992	5	5⅝	100	Rabobank Nederland	5.750
FINNISH MARKKA							
World Bank ‡	300	1994	7	10	101½	Postipankki	10.013
LUXEMBOURG FRANCS							
Council of Europe** ‡	125	1992	5½	7¼	100	BIL	7.250
YEN							
CAECL ‡	12bn	1994	7	5⅛	102	Mitsubishi Trust Int.	4.792
Caisse Cen. Desjardins ‡	10bn	1992	5	(a)	101⅝	Warburg/Yasuda Trust	—
Nordic Inv. Bank ‡	15bn	1992	5	4⅝	103	Sanwa Int.	4.197
CIBC Int. Finance ‡	10bn	1992	5	0	80.3	Daiwa Europe	4.330
Nissan Motor Co. ‡	35bn	1992	5	5⅛	103¾	Nikko Secs. (Europe)	4.359
Gr. American Fst Sav. Bk ‡	15bn	1992	5	5	101¾	Nikko Secs. (Europe)	4.600
World Bank** ‡	5bn	1994	7	4.65	100	Norinchukin Bank	4.650
Caisse Cen. Desjardins ‡	10bn	1994	7	5	102¾	Yamaichi/Tokai Int.	4.509

* Not yet priced. ‡ Final terms. ** Private placement. † Floating rate note. ¶ With equity warrants. ɸ With currency warrants. § Convertible. £ Currency linked. (a) Coupon: 1% first 2 years, 7¾% remainder. (b) Coupon: 16% initially, refixed annually at 1 year Australian Treasury rate. (c) 25bp over 3m Libor. (d) ¼ over 3m Libor. (e) Coupon: 15¼% initially, refixed as (b). Note: Yields are calculated on AIBD basis.

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MANAGEMENT

GKN

An uneasy mix that may need reshuffling

Michael Skapinker on the outlook for the UK engineering group

WHEN Sir Trevor Holdsworth became chairman of GKN seven years ago, the engineering group, one of Britain's largest, was at its lowest point since the 1930s. One of the consequences was that he had less time to play the piano.

He plays very well. In 1985 he performed with the Royal Philharmonic Orchestra at the Festival Hall. He once considered a career as a concert pianist, but decided to become an accountant instead, joining GKN in 1963 after a decade with the Bowater Paper Corporation.

Now that the group has lowered its retirement age to 60 he has less than 18 months left in the job. He leaves behind a GKN which looks nothing like the one he joined. He has presided over a radical change in the group's activities, taking it away from steel, nuts, bolts and screws and into advanced automotive components and a range of industrial services.

The group's greatest success has been the constant velocity joint (CVJ), used in the manufacture of front-wheel drive vehicles. But some analysts wonder whether GKN will be able to come up with a new generation of auto components to match the CVJ's achievement. And Holdsworth himself admits that the current mix of manufacturing and service activities can be difficult to handle. He does not exclude the possibility that his successor might need to reshuffle GKN's hand yet again.

For a man who describes himself as totally non-athletic, Holdsworth seems to be in fairly good shape. Certainly his amiable nature does not appear to have been affected by the traumas of the past few years. In 1980, the year he took over the top job, the group declared a loss of £1m, after a profit of £101m the previous year.

Nevertheless, the road back to profitability has been a painful one, with the UK workforce falling from 69,000 in 1979 to 27,000 six years later.

Profits rose steadily to £133m in 1985, but Holdsworth has already said he expects no improvement in 1986. The announcement shocked the City, but analysts appear to have come round to the view that GKN will remain a solid, if unspectacular performer.

The original businesses pursued by the Guest, Keen and Nettlefold families who formed the group have all gone. GKN's steel business is now part of a joint venture with the British Steel Corporation. The steel stockholding business was sold last year. The nuts, bolts and screw businesses have all been shut down or sold off.

The move away from steel was originally triggered by the nationalisation of the industry in the 1960s. But when the Conservatives returned to power in 1970 some of the old guard argued that the group should make steel its central business once more.

Steel barons

"The senior end of GKN at that stage was full of steel barons whose culture was iron and steel. There must have been five or six who were brought up on the steel side," Holdsworth recalls. The younger Holdsworth was one of those who argued that the future lay with automotive components and that the steel industry held out no great prospects. Fortunately, he says, the auto components people prevailed.

As for nuts and bolts, Holdsworth confesses, somewhat disconcertingly, that GKN was just not very good at the business. "We've not been very good at selling to the public. We really found that we weren't a natural for it," he says. The trouble with nuts and bolts, says deputy managing director Ian Donald, is that they are so cheap to manufacture. "Our Far Eastern friends just zeroed in and took away the heart of the market-place. We fought it for some time but at the end of the day we decided there were better things to do with our money than struggle on with it."

Instead GKN has trimmed back to a few core businesses, most of them relatively new: the manufacture of high-tech automotive components; the distribution of car parts; the provision of industrial services and supplies from scaffolding to vending machines; and defence. In 1985 the company won a Ministry of Defence contract for 1,048 Warrior armoured personnel carriers. To mark the radical change in its activities the group last summer dropped the families' names and officially changed the company's title to GKN.

The manufacture of auto components is now GKN's major business, with the CVJ as its centrepiece.

It is the world's largest independent manufacturer of CVJs. "They have achieved something very unusual for a British company, which is to pick up a particular business and then dominate it worldwide. It's a model of the genre," one industry analyst said. "Nobody is seriously going to think of trying to displace GKN."

Nevertheless, the same analyst adds, while CVJs are "a secure business, they're not a growth business." Paul Capella, a Paris-based analyst with DRI, says that there is some room for growth in the sale of CVJs in Europe, with a few middle and top-range cars still expected to change to front- or four-wheel drive. And the potential for growth is greater in the US, he says. Nevertheless, the move to front-wheel drive worldwide has certainly peaked.

The group does manufacture other advanced components, such as light-weight plastic and glass fibre springs called composite leaf springs, and viscous couplings, which transmit varying amounts of torque to different wheels according to need. The group also recently announced a programme for the development of light-weight suspension systems. But industry analysts doubt that the group will ever dominate any of these component markets in the way that it has the market for CVJs.

Sir Trevor Holdsworth: not affected by the traumas of the past few years

In the non-manufacturing side, GKN bought Parts Industries Corporation in the US, an automotive replacement parts and accessories distributor. It is now the second largest independent distributor in the US.

Its service businesses include vending machines in the UK, specialist foundations and scaffolding in the UK, West Germany, the US, Australia, the Netherlands and Singapore and pallet pools in Britain and South Africa, with related businesses in several European countries. Pallets are the portable platforms which are used, for example, to stock goods in supermarkets.

To what extent can a manufacturing company like GKN accommodate service businesses? Do they not require a radically different outlook and culture?

"It's not an ideal sort of bedfellow arrangement," deputy managing director Donald concedes. "The whole motivation of people in the service business is different. The central element is the macro strategy, if I can use that horrid word. The centre of GKN can develop ways in which it wants to take the business. But having done that, you've got to set your services management that central task and let them get on with it. Manufacturing needs a more managed approach because the investment is quite heavy in plant, modernisation and so forth. Because of the different ethos we do tend to be more delegated in the industrial services field than in the automotive."

Holdsworth himself has clearly given a great deal of thought to whether GKN's mix of services and manufacturing will continue to work. He does not spell it out, but the clear message is that his successors might want to move more decisively into either manufacturing or services. Ideally, he says, "I'd much rather be successful in one or the other."

Does he regret then that the group did not become a purely manufacturing company? No, he says, if it had done, City analysts would continually have concentrated on the vulnerability of the engineering sector.

The current mix gives the group the flexibility to move in whichever direction seems profitable in years to come, he says. But, *he admits, "I'm very* nervous about the amalgamation of cultures." It is easier to run diverse businesses when corporate headquarters sets only financial targets. "If you're a managed company it's more difficult to have within one group different types of business," he says, adding that "at the moment I won't give up the final word on strategy from the centre."

So will GKN require another change in the future? "I wouldn't be surprised," Holdsworth says. But he won't be the one to carry it out. By the time he steps down, he "will have done nine years as chairman. That seems to me as long as you should do. Having done one big thing I would be slow to do another."

Lobbying

How the system works

Hazel Duffy reports on advice for the 'intelligent individual'

THE relative ease with which the British Government gave its approval for the sale by Rover of a majority stake in Leyland Trucks to the Dutch Daf group was in stark contrast to the furore in the Commons a year ago when the truck operations were to be sold to American-owned General Motors. The sweetener then was that GM would also take Land Rover. The deal had been sanctioned by the Government.

In the face of unexpected patriotic fervour for BL, and particularly Land Rover, the Cabinet backed down. The whole incident, highly embarrassing to the Government, provided a rare example of the reversal of Government policy.

Most people still assume that the Commons acts as some sort of democratic check on the executive. Hence the mass lobbies of MPs from time to time by pressure groups. Companies which suddenly find that they will be affected by a piece of proposed legislation, write furiously to every MP, or sign up professional lobbyists to put their case.

Very occasionally, such techniques might work. Mostly, what is overlooked is that the British system of government is very different from that in the US where intense lobbying of Congress follows on its very real power in checking presidential policy.

In Britain, relations between government and citizen are more mysterious. Businessmen, in particular, frequently misunderstand the structure of power within government and *focus their lobbying efforts* at the wrong level.

Many managers, pressed for time, hope that their trade association will do the job of representing them to government, and alerting them to proposed changes in legislation which might affect them. This may—depending on the resources and effectiveness of the association—be adequate at a sectoral level but most cannot represent an individual company.

Only a few big companies decide they can afford to employ somebody devoted to the task; others assign the job to one of the growing number of professional consultants, rather like they had over public relations to an outside agency.

Charles Miller, author of "Lobbying Government,"* published at the end of last month, is one of the consultant breed. His book is not an academic study of government and politics. Nor is it an expose of what actually took place between, for example, GEC and politicians and civil servants when the Nimrod contract looked like drawing to a close. That would have made a fascinating study of lobbying.

Instead, Miller has taken the neutral course by writing a manual, a guide to lobbying. Miller says his market is the intelligent individual, probably in business, who does not want *to be spoon-fed by textbook methods,* but wants to understand for himself the decision-taking process in government, and then pitch his relations with government accordingly.

"Once the reader sees how the system works and reacts and understands the consideration of ministers, parliamentarians and officials in dealing with issues, the techniques of acquiring information or advancing a case will fall into place."

The first part of his book updates the "realities of power". Miller exposes myths about where political power lies, shows the importance of the civil service—often underestimated—and outlines how policy is formulated, and legislation brought onto the statute book with the various points at which pressure might be brought to bear for adjustment.

The second part shows how the decision-makers work: one day from the diaries of a secretary of state for energy, from an 8.30 am start to a midnight read of the red boxes' contents, and from a deputy secretary in the Department of Trade and Industry, give an idea of the competition for time that a businessman hoping for a meeting faces.

Which leads to the advisory section of the book, starting with the four most common mistakes made by organisations in dealing with government: "friends in high places"—just because you know ministers, MPs or senior officials, does not mean you can get your way. It is better to prepare the groundwork at Principal/Assistant Secretary/Policy Unit level before going to the top.

The "eat your way out of trouble" approach — in most cases, you can save your money and time by concentrating on well-researched advocacy, conveyed without largesse. Would you lunch judge and jury?

"Act now, think later"—the advice is to do your research thoroughly first. If you do not know how government will react to your case before you advocate it, you have not worked hard enough.

"Treating Parliament like Congress" — it is a mistake to divorce one institution of government from the others—Parliament's influence varies with the issue and with the government's majority.

Examples are given of how to make your case, by letter, by interview, by follow-up. It also helps to frame the plea in a way which takes into account government thinking.

Much of Miller's advice could usefully be taken on board by companies, pressure groups, trade associations, etc. His book is useful to the uninitiated in the hierarchy of power, which includes almost everyone who is not working in or observing government. But without actual examples, as opposed to theoretical case studies, it ensures that the businessman in a hurry will still resort to the professional lobbyist.

* *Lobbying Government: Understanding and influencing the corridors of power. Charles Miller. Blackwell. £25.*

American Barrick sheds its 4.9% Gold Fields stake

American Barrick Resources, the ambitious Canadian gold producer, has disposed of part of the controversial 4.9 per cent stake which it bought in the international mining group Consolidated Gold Fields last autumn.

Mr Peter Munk, Barrick's chairman, said in an interview that the decision to sell was based on the exceptionally good appreciation in Consgold's share price, and the alternative of using proceeds from the sale to help finance the goldstrike mine in Nevada, which Barrick acquired at the end of last year.

According to Mr Munk, Barrick still owns some Consgold shares but he declined to say how many.

The British Department of Trade and Industry launched an inquiry last December into Consgold share dealings as news of the Barrick purchases emerged. Consgold asked for the probe after several weeks of heavy activity in its shares, fuelled by rumours of stake-building and potential take-over bids.

Barrick, which has interests in six North American gold mines and is building a seventh in northern Ontario, was initially thought to have its eye on Consgold's North American gold interests, which include the Mesquite mine in California, opened last year, and the Chimney Creek mine in Nevada, now under construction.

Mr Munk, who is attending to business interests in London today, said he is on very friendly terms with Mr Rudolph Agnew, Consgold's chairman.

Explaining last year's decision to invest in Consgold, he said, "I perceived no risk, and could see a number of upsides." Consgold's share price has risen by more than a quarter since the Barrick purchases became known.

Barrick is one of a handful of north American, mainly Canadian, gold producers which have wooed institutional investors by transferring themselves from single-mine operations to more diversified groups along the lines of South African mining houses. "Our ambition is to reproduce what Oppenheimer has done in South Africa," Mr Munk said.

Barrick's share of its mines' output is expected to reach 350,000 ounces in 1989.

Renaissance to join main market with £6m placing

BY PHILIP COGGAN

Renaissance Holdings, a newly-formed investment trust desigend to invest in recovery stocks in the manufacturing sector, is expected to join the main market today in a placing worth £6m.

The trust aims to take stakes of between 20-40 per cent in mature companies, bring in its management expertise to turn round the group, and then sell off the stake when the recovery is completed.

Mr Nicky Branch, of Chartfield, the venture capital group, will be the Renaissance chairman and he believes that there will be plenty of investment institutions who will be only too happy to sell, at near asset value, their holdings in unquoted companies to the trust.

The initial placing is of 6m shares of £1 each but the authorised capital of the group is 20m shares and the trust plans to issue its paper in future in return for stakes in companies. Each initial subscriber for cash will be given free warrants to buy further shares at the issue price on a one-for-five basis.

Renaissance hopes eventually to have net assets of over £50m spread across 40 investments. Certain fees will be charged for management work, but the bulk of future profits is expected to result from the disposal of its holdings through avenues like management buy-outs and the third market. Since Renaissance will qualify as an investment trust, it will not be liable for capital gains tax on disposals.

Chartfield will provide the initial management expertise for Renaissance and apart from Mr Branch, prominent executives will be Mr Richard Glanville, a former partner of stockbroker Hoare Govett and Mr James Sutherland, who has worked for Shell, BOC and the Cabot Corporation.

Renaissance's management approach will resemble that of mini-conglomerates like F H Tomkins and Williams Holdings. Similar companies will be grouped together in cells so that costs can be cut and synergies achieved.

Boardroom battle intensified at Bremner

By Martin Dickson

A BATTLE for boardroom control of Bremner, the Glasgow stores and property business intensified yesterday when a group seeking the removal of Mr J. Rowland-Jones, the chairman, launched an attack on the performance of the company under his leadership.

The dissident shareholder, City and Westminster Financial, is seeking to remove Mr Rowland-Jones and two other directors at an extraordinary meeting on March 17, replace them with its own management team, and develop the business in the field of financial services.

In a circular to shareholders, City and Westminster said that Bremner's business could "at best be described as stagnant and its prospects bleak. Mr Rowland-Jones has not stemmed the tide of losses incurred by Bremner over the past few years . . . and he has not demonstrated any ability to develop the company's business activities."

City and Westminster, which says it speaks for 26 per cent of Bremner's shares, is seeking the election of five new directors. These include Mr Andrew Greystoke, who is a barrister, and chairman of City and Westminster, and Mr Cochrane Duncan, chairman of Scottish Heritable Trust.

City and Westminster said it had been formed to take advantage of the possibilities opened up in financial services by deregulation of the London market. Its plan was for Bremner to purchase City and Westminster in due course, and capitalise on its goodwill and business connections.

Alliance Trust assets grow

Another sharp increase in net asset value, up from 901p to 1135.9p, is reported by Alliance Trust for the year ended January 31 1987. The increase of 26 per cent is broadly in line with stock markets in the company's major investment areas, the directors stated, UK having risen by 30 per cent and the US by 21 per cent in sterling terms, after a 7 per cent fall in the dollar.

Revenue benefited from increased UK and US dividends and from a £87m investment in US treasury bonds. Dividends and interest received amounted to £20.14m (£17.29m), other income was £316,000 (£244,000). Revenue before tax was £19.43m (£16.48m); tax charged was £6.36m (£5.87m).

Lucy Kellaway on the surprise tender offers for I C Gas

Attractions of an energy Cinderella

THE grand idea of carving up the untidy Imperial Continental Gas into two logical halves is not going quite according to plan.

The purpose of the IC gas scheme was defensive. It aimed to "unlock for shareholders the true value of the company," and therefore make it less prone to attacks from outside—such as last year's £750m bid for it from Gulf Resources, which was blocked by a reference to the Monopolies Commission.

Yet no sooner than the full reconstruction plans were published 10 days ago, the race was on to make competing offers to shareholders.

SHV, a private Dutch company, weighed in first with an unusual tender offer for about a quarter of the company. By the end of last week, when the City had mastered the initials of this previously unknown Dutch company, another almost identical offer emerged, to everyone's surprise.

After the market had closed on Friday night, two major quoted Belgian companies, Tractebel and Groupe Bruxelles Lambert, made their rival move, topping by 10p what was already regarded as a most generous 700p offer from SHV.

It is difficult to reconcile all the fuss over IC Gas with the bland inattention that was the company's lot until little over a year ago, just as it is hard to reconcile the tenders now out with the share price early last year of less than 300p.

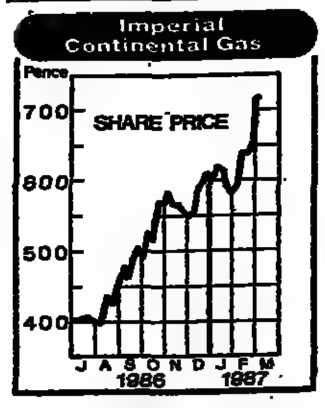
Why the sudden rush of enthusiasm? The answer lies in last year's bid by Gulf Resources, a small American energy company backed by the publicity-shy UK investing twins, David and Frederick Barclay. They spotted what analysts and investors had missed for years: that the company was seriously undervalued. They showed the market that IC Gas would be worth much more by hiving off its portfolio of Belgian investments from the other businesses, Calor Gas and its independent oil company.

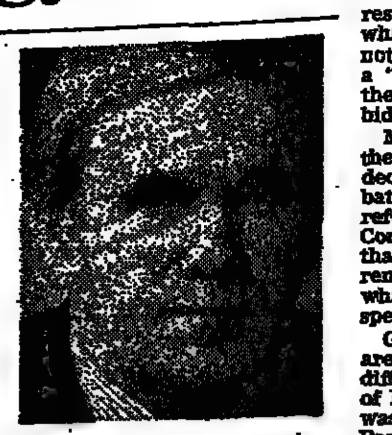
The Barclays' main interest in IC Gas was Calor, which they argued, was not realising its true potential. They promised to remedy this by moving into overseas markets, and by squeezing more out of the Calor brand name.

By contrast, the two European bidders appear to have no interest in making any changes. SHV is also interested in Calor, but unlike the Barclays, it knows all about liquified petroleum gas, as it is one of the biggest sellers of it in Europe. Calor, says SHV, is a well-run business, and the two companies have long been friendly. Mr Van Vlissingen, the proprietor of SHV, is on good terms with Calor's managing director, Mr David Mitchell.

It is doubtful whether SHV would ever want to make a full bid for Calor. It likes to own large stakes in other companies, and for many years has sat on a 30 per cent stake in Primagaz, the French LPG distributor.

SHV and the Belgian bidders want IC Gas for quite different reasons. SHV has no interest in Contibel, the half of IC Gas which holds the Belgian investments. Indeed, SHV has contracted to sell all of its Contibel shares after the reconstruction of IC Gas goes through.





Mr David Mitchell, managing director of Calor

The Belgians, on the other hand, are drawn to IC Gas precisely for Contibel. They are large shareholders in the same companies held by Contibel and seem anxious lest the shares might get into the wrong hands. Both companies are experienced investors. Tractebel is one of the largest industrial groups in Belgium and Groupe Bruxelles Lambert is a leading financial and investment business.

However, they are keeping their intentions as much to themselves as possible. Their tender offer, put together last week by Dillon Read, Morgan Guaranty and Henry Ansbacher, was silent both on future plans for Calor and on wider plans for the group.

Nevertheless, whether they would be content merely with a blocking stake in Contibel is doubtful. For a Belgian to hold Belgian shares through a stake in a UK-quoted company seems rather an inefficient way of going about things, making it possible that they would follow the tender with a full bid for Contibel after the reconstruction.

Meanwhile, SHV's tender will remain open until Wednesday and if there are no takers it will have to decide whether to frustrate the Belgian's offer by putting in a higher one itself.

There is an outside chance, however, that SHV's tender will not fail and that investors, worried about a deluge of applications for the higher offer, will actually apply for both tenders. If both succeed, there is bound to be further action soon, as two big shareholders with nearly 80 per cent of the company each are unlikely to sit staring each other out indefinitely. If a bid results, investors, no matter which tender they accepted, will not lose out: Both tenders have a "top up" provision to match the terms of any unsuccessful bid.

Meanwhile, the movements of the Barclay brothers, who decided to withdraw from the battle after their bid had been referred to the Monopolies Commission, are more uncertain than ever. Rumours of a renewed bid are thought to be what galvanised SHV into such speedy action.

Guessing what the Barclays are up to is made much more difficult by the unusual status of IC Gas. Because the company was created by an Act of Parliament, it is free from certain restrictions—in particular investors need not declare their interests in the company even if they exceed 5 per cent.

This means that no one knows how many shares the Barclays have, or what has happened to the 11 per cent stake declared at the time of the bid.

It is unlikely that the surprise 15 per cent stake revealed on Friday by the Belgians consists of the Barclay shares, as the stake was apparently built up gradually over the past year.

However, the relationship between the Belgians and the Barclays provides a rich source of speculation. The twins are thought to have had an understanding with Groupe Bruxelles Lambert about the disposal of the Belgian assets, which the Barclays were committed to sell in order to finance their bid.

Perhaps the agreement has now been turned on its head. It would be a neat ending to this extraordinary tussle if Contibel went home to the Belgians, while the Barclay brothers, who "discovered" IC Gas and started the whole race, ended up with Calor, the prize they wanted.

BOARD MEETINGS

TODAY

Interims: Attwoods, Brierley Investments, Bryant Holdings, Continental Microwave, Parker Knoll, Reliable Properties, Shandwick, Strong and Fisher.

Finals: Antofagasta, Beatson Clark, Bremner, British Vita, Broad Street Group, Edinburgh Fund Managers, Laidlaw Thomson, Low and Bonar, Persimmon, Ransomes Sims and Jefferies, T. and S. Stores.

FUTURE DATES

Interims:	
Barratt Developments	Mar 19
British Kidney Pat Ass In Tst	July 24
GR Holdings	Mar 19
Greenfriar Investment	July 17
MAI	Mar 16
Savage	Mar 16
Strata Investments	Jun 19
Finals:	
Arcolectric	Mar 31
Baillie Gifford Tech	Mar 31
CSC Investment Trust	Mar 12
Cambridge Electronic Inds	Mar 16
Clarke (T.)	Mar 19
Electric and Gen Inv	Jun 29
Invergordon Distillers	Mar 13
Lincroft Kilgour	Mar 16
Lopex Communications	Mar 24
Meggitt	Mar 16
Norank Systems	Mar 18
Ocean Transport and Trading	Mar 26

F.T. Share Information

The following securities have been added to the Share Information Service:

Hornby Group (Section: Industrials).

London & Edinburgh Trust 6pc Conv. Cum. Red. Prf. (Property).

Mayborn (Industrials).

Multitrust (Investment Trusts).

P & O 6.75pc Cnv. Red. Pref. (Shipping).

Trinova Corp. (Americans).

ROHAN DEVELOPMENTS (development subsidiary of the Rohan Group) Company has sold a further 2½ acres at its Langley Business Park at a rate of £600,000 per acre.

PENDING DIVIDENDS

Company	Date	Announcement last year
AMEC	April 2	Final 7.0
Abbey Life	April 2	Final 4.7
*Armstrong Equipment	Mar 23	Interim 0.75
Assoc Brit Ports	April 2	Final 8.75
*BAT Inds	Mar 25	Final 7.35
*BICC	Mar 26	Final 7.5
*BSG Intl	April 2	Final due
*BTR	Mar 12	Final 6.0
Babcock Int	Mar 26	Final 4.4
*Barratt Developments	Mar 19	Interim 3.254
*Bejam	Mar 11	Interim 2.0
Berisford (S. and W.)	Feb 24	Final 7.0
Booker	Mar 25	Final 7.75
*Brent Chems	Mar 23	Final 3.35
Bridon	Mar 26	Final 3.5
British Aerospace	Mar 25	Final 10.0
*British Car Auction	Mar 10	Interim 1.5
*British Vita	Mar 9	Final 3.75
*Britoil	Mar 19	Final 9.0
*Bryant Holdings	Mar 9	Interim 1.2
Burmah Oil	April 10	Final 8.25
Burton	April 3	Interim 1.6
Cookson	April 10	Final 5.35
Croda Intl	Mar 27	Final 4.0
DRG	Mar 19	Final 4.95
Delta	Mar 21	Final 4.15
*De Beers	Mar 10	Final 40c
Enterprise Oil	April 2	Final 8.0
Evered	April 10	Final 2.25
Exco	Mar 21	Final 2.6
Expamet International	Mar 18	Final 6.0
*GRE	April 1	Final 19.75
*General Mining	Mar 12	Final 140c
Glynwed Intnl	Mar 21	Final 8.75
Gratton	Mar 21	Final 4.0
*GKN	Mar 11	Final 7.5
*Hepworth Ceramic	Mar 26	Final 4.3
*Hickson Int	Mar 23	Final 10.0
Hillsdown	Mar 11	Final 3.0
*Hongkong Shanghai Bk	Mar 10	Final $0.31
Horizon Travel	Mar 26	Final 3.52
*Iceland Frozen Foods	Mar 24	Final 4.4
Laing (J.)	April 10	Final 5.0
Legal and General	Mar 20	Final 16.0
Lucas Inds	Mar 26	Interim 2.6
*London Scot Marine Oil	Mar 31	Final 7.7
Mowlem (J.)	April 10	Final 10.0
*Next	Mar 12	Interim
*Ocean Trans	Mar 26	Final 3.95
P & O	Mar 26	Final 10.0
Pearson	Mar 16	Final 5.75
*Pentland Inds	Mar 23	Final 1.16
*Prudential	Mar 24	Final 17.0
Reckitt & Colman	April 8	Final 10.0
Rio Tinto-Zinc	April 9	Final 15.0
Rowntree Mackintosh	Mar 12	Final 8.2
Rugby Prtlnd Cmnt	April 7	Final 3.5
Scottish Heritable	April 2	Final 1.6
Slough Estates	April 1	Final 3.3
Smith and Nephew	Mar 20	Final 3.25
Smith Inds	April 8	Interim 1.75
Spring Ram	Mar 24	Final 1.21
Standard Chartered	Mar 26	Final 20.0
*Steetley	Mar 23	Final 6.0
Sun Alliance	April 2	Final 11.75
*Transport Dev	Mar 16	Final 4.5
Tricentrol	Mar 26	Final 1.0
*Turner and Newall	Mar 18	Final 3.65
*Ultramar	Mar 11	Final 6.5
*Utd Biscuits	Mar 18	Final due
*Weir Group	April 2	Final 2.125
*Williams Holdings	Mar 19	Final 6.0
Wimpey (G.)	Mar 24	Final 2.9
Woolworth	Mar 26	Final 7.0

Capitalisation £000's	Company	Price	Change on week	Gross div.(p)	Yield %	P/E
6,422	Ass. Brit. Ind. Ordinary	160	—	7.3	4.6	8.2
—	Ass. Brit. Ind. CULS	165	—	10.0	6.1	—
676	Armitage and Rhodes	36	+1	4.2	12.0	4.9
6,210	BBB Design Group (USM)	75	−1	1.4	1.9	17.9
71,045	Bardon Hill	221	+2	4.6	2.1	26.1
5,625	Bray Technologies	102	+2	4.3	4.2	12.1
462	CCL Group Ordinary	132	—	2.9	2.2	9.4
1,239	CCL Group 11pc Conv. Pf.	99	—	15.7	15.9	—
15,992	Carborundum Ordinary	266	−1	9.1	3.4	12.9
651	Carborundum 7.5pc Pf.	93	—	10.7	11.5	—
1,605	George Blair	87	—	3.8	4.4	2.2
4,630	Ind. Precision Castings	114	—	6.7	5.9	10.2
9,639	Isis Group	121	−1	18.3	—	—
6,797	Jackson Group	118	—	6.1	5.1	8.1
61,130	James Burrough	365	+4	17.0	4.7	10.3
3,047	James Burrough 9pc Pf.	87	—	12.9	14.8	—
69,492	Multihouse NV (AmstSE)	750	+10	—	—	38.3
8,188	Record Ridgway Ordinary	358	+4	—	—	8.3
2,241	Record Ridgway 10pc Pf.	83	—	14.1	17.0	—
918	Robert Jenkins	90	+1	—	—	4.0
2,790	Scruttons	62	+4	—	—	—
3,612	Torday and Carlisle	148	—	5.7	3.9	9.0
1,469	Trevian Holdings	324	—	7.9	2.4	6.7
18,000	Unilock Holdings (SE)	90	+15	2.8	3.1	16.6
33,185	Walter Alexander	128	—	5.0	3.9	12.2
4,504	W. S. Yeates	193	−2	17.4	9.0	13.3
4,198	West Yorks. Ind. Hosp. (USM)	89	+1	5.8	5.7	14.1

FINANCIAL TIMES STOCK INDICES

	Mar. 6	Mar. 5	Mar. 4	Mar. 3	Mar. 2	Feb. 27	1986/87 High	1986/87 Low	Since Compilation High	Since Compilation Low
Government Secs.	89.52	89.29	88.72	88.21	88.39	87.96	94.51	80.39	127.4	49.18
Fixed Interest	94.69	94.60	93.83	93.74	93.81	93.52	97.68	86.55	150.4	50.53
Ordinary	1601.4	1602.0	1612.4	1613.5	1604.5	1599.8	1613.5	1094.3	1613.5	49.4
Gold Mines	338.2	346.7	339.5	325.2	324.7	329.8	346.7	185.7	734.7	43.5
FT-Act All Share	993.38	995.25	995.21	992.61	986.25	983.12	995.25	664.42	995.25	61.92
FT-SE 100	1998.2	2002.8	2002.7	1998.3	1983.1	1979.2	2002.8	1370.1	2002.8	986.9

هكذا من الأصل

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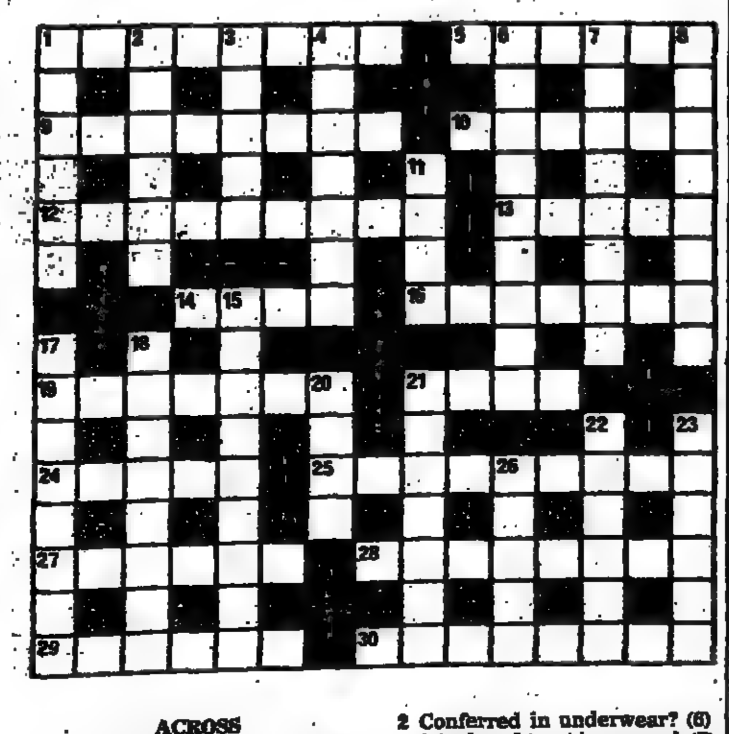
FT UNIT TRUST INFORMATION SERVICE

INSURANCES

FT CROSSWORD PUZZLE No. 6,272

HIGHLANDER



ACROSS

1 Adores to have meal in cosy spot for two (4, 4)
5 Deflect blow from whip (6)
9 Condensation shows it's not concrete (8)
10 Royal family go round the bend (6)
12 Pre-school studies cause optical fatigue (9)
13 Couple run into church (5)
14 Badly hurt by object on motorway (4)
16 Part of speech in favour of no international assembly (7)
19 A coach with influence on person (7)
21 She did love Aeneas (4)
24 Better operating with poultry (5)
25 Not prepared for rogue to play Union (9)
27 Felt a strange yen for old loyalty (6)
28 Showing no interest in missing record (8)
29 Be consistent and firm on this point (6)
30 Turns ewe out to look after infant (3-5)

DOWN

1 Filled with plenty of money (6)
2 Conferred in underwear? (6)
3 Misplaced trust in peacock (5)
4 Current demand gets complete approval (7)
6 Look out information for slogan (9)
7 Intact or damaged drawing (8)
8 Devising way of shading maps (8)
11 Immediate turnover of vessels (4)
15 Carpeting put down across church (9)
17 Characteristic sibilant sound of the ocean (8)
18 Careless hit and run (8)
20 To be correct, hit on the head and on finger (4)
21 Strip during trip—a record (7)
22 Come on, go away without Pluto (6)
23 Let's change and accept American contention (6)
26 Frequently turns up in Cabinet foreign policy papers (5)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

AUTHORISED UNIT TRUST & INSURANCES

Canon Assurance Ltd
1 Olympic Way, Wembley HA9 0NB 01-902 8876

2nd Series Life Accumulation

Equity	384.9	407.3	-1.1
High Income	329.4	348.6	-0.9
Property	217.6	230.3	
Managed 2	95.9	101.5	+0.2
Managed	271.4	287.2	-0.1
Managed 4	99.1	104.9	+0.2
Deposit	178.1	188.5	
Gilt	189.8	200.8	+1.4
American	276.6	292.7	+1.0
International Money	195.9	207.3	-0.6
Far East	213.9	226.3	-2.8
Global	106.6	112.8	-0.1
European	107.6	113.9	
Japan	114.0	120.6	-0.2
Heritage Property	98.5	104.2	

2nd Series Pension Accumulation

Equity	618.8	654.8	-1.9
High Income	395.0	418.0	-1.4
Property	306.6	324.4	
Managed 2	95.9	101.5	+0.2
Managed	395.1	418.1	-0.3
Managed 4	99.6	105.4	+0.2
Deposit	265.9	281.4	
Gilt	270.0	285.7	+3.1
American	439.8	465.4	+1.7
International Money	281.4	297.8	-0.9
Far East	236.8	250.6	-3.3
Global	109.8	116.2	-0.2
European	111.1	117.6	
Japan	119.4	126.3	-0.3
Heritage Property	99.9	105.7	

Other Funds

Equity Units		85.07	-0.27
Property Units		22.98	
Balanced Bond/Exec	38.26	40.09	-0.02

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

Ivory & Sime Bond	123.0	130.0	+7.0
Rich & Reward Bond	162.0	171.0	
Murray Johnstone Fd	137.0	145.0	
Money Market Fd	111.0	117.0	
Investment Strategy Fd	101.0	107.0	
Ivory & Sime Pens Fd	123.0	130.0	
Rich & Reward Pens Fd	144.0	152.0	+3.0
Murray J'stone Pens Fd	134.0	142.0	
Money Market Pens Fd	111.0	117.0	
Inv Strategy Pens Fd	102.0	108.0	

City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Saxon Gate West, Cent Milton Keynes MK9 2LA

Current Series

Property Fund	120.8	127.2	
Money Fund	231.1	243.3	
Managed Fund	454.8	478.8	
Equity Fund	304.4	320.7	
Fixed Interest Fund	154.9	163.1	
Far East Fund	240.0	252.7	
North American Fund	178.9	188.4	
Natural Resources Fund	166.9	175.7	
Pension Managed Fund	434.1	457.0	
Pension Equity Fund	290.2	305.5	
Adventurous Mngd Fd	162.6	171.2	
Balanced Mngd Fd	155.6	163.8	
Conservative Mngd Fd	150.8	158.8	
European Fund	125.3	131.9	
International Fund	147.7	155.5	
S U.N. Flagship Fd	149.7	157.6	

For other prices please telephone 0908 606101/660000

Devonshire Life—Contd.

Money	101.0	106.4	
Pen Managed	143.9	150.6	-0.3
Pen World Growth	106.0	111.6	-0.5
Pen UK Equity	159.6	168.2	-0.8
Pen UK Small Cos	146.4	154.2	+0.6
Pen European	99.7	105.0	-0.1
Pen Far Eastern	230.2	242.4	-3.4
Pen Nth American	98.4	103.7	+0.2
Pen Fixed Interest	117.2	123.5	+0.8
Pen Index Lnkd Stks	109.6	115.5	+0.3
Pen Money	106.2	111.9	

Eagle Star Insurance Co Ltd
Bath Road, Cheltenham GL53 7LQ 0242 521 311

Secure Fund	105.0	110.6	
Blue Chip Fund	142.7	150.3	-0.8
Performance Fund	167.3	176.2	-0.8
Adventurous Fund	159.7	168.2	-1.4
Pensions Secure	96.6	101.7	
Pensions Blue Chip	110.6	116.5	-0.1
Pensions Performance	108.5	114.3	-0.3
Pensions Adventurous	107.2	112.9	-1.2
Pension With Profits	103.0	108.5	-0.3

Eagle Star Insur./Midland Assur.
1 Threadneedle St, London EC2 01-588 1212

Eagle/Mid. Units	189.3	196.2	-0.4	3.78

Equitable Life Assurance Society
4 Coleman Street, London EC2R 5AP 01-606 6611

Far Eastern	186.6	196.4	(z)
Fd of Inv Tsts	157.6	165.9	(z)
Gilt & Fixed Int	120.3	126.6	(z)
High Income	174.7	183.9	(z)
Intnl Growth	115.8	121.9	(z)
Managed	142.5	150.0	(z)
Money	109.8	115.6	(z)
North American	128.8	135.6	(z)
Pelican	166.2	174.9	(z)
Property	108.8	114.5	(z)
Special Sits	174.8	184.0	(z)
School Fee Managed	158.1	166.4	(z)

Pension Funds

Far Eastern	215.2	226.5	(z)
Fd. of Inv. Tsts	175.9	185.2	(z)
Gilt & Fixed Int	126.1	132.7	(z)
High Income	202.5	213.2	(z)
International Growth	120.8	127.2	(z)
Managed	158.1	166.4	(z)
Money	120.1	126.4	(z)
North American	136.0	143.2	(z)
Pelican	188.6	198.5	(z)
Property	109.1	114.8	(z)
Special Sit	200.5	211.0	(z)

Equity & Law
Amersham Road, High Wycombe 0494 33377

UK Equities Fund	504.0	530.5	-2.8
Higher Inc. Fund	295.6	311.1	-2.9
Property Fund	266.8	280.8	
Fixed Interest Fund	246.8	259.7	-0.2
Index Lnkd Secs Fund	111.3	117.1	-0.2
Gtd. Deposit Fund	179.8	189.2	
Nth. America Fund	263.9	277.7	-1.2
Far East Fund	295.6	311.1	-3.1
Europe Fund	224.1	235.8	+0.6
International Fund	308.6	324.8	-1.5
Mixed Fund	373.1	392.7	-1.4
Ind. Pen. Equity (z)	635.3	668.7	-3.7
Ind. Pen. High Inc (z)	145.1	152.7	-0.7

[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

World Fund S.A.
2 Boulevard Royal, Luxembourg
World Fund NAV $21.50 +0.07 —

World Wide Growth Management
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd $78.88 — —
Inv. Adv.: M. & G. Inv. Mngt., Ltd, London

Yamaichi Capital Mngt (Guernsey) Ltd
22 Smith St, St Peter Port, Guernsey. 0481 23765
Japan Meta Growth 11.39 −0.02 —

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg
Advanced Tech $19.37
Dynamic Gwth Fd $22.59

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268
Zero Bond Fund $12.47 13.18

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
Charities Aid Fndtn Money Mngmt Co Ltd Staple Hall, Stone Ct, Houndsditch, EC3 01-283 6461				
CAFCASH Call Fund	11.06	8.42	12.39	3-mth
CAFCASH 7-day Fund	11.43	8.58	12.54	11.71
The Charities Deposit Fund 2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	11.00 (11.46CAR)		—	3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	11.30	8.48	12.73	Mth
7-day Fund	11.11	8.50	12.00	Mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	11.09	8.29	11.92	6-Mth
7-day Fund	10.79	8.07	11.59	6-Mth
Dollar	4.87	3.64	5.21	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Cur Acc	10.25	7.50	10.80	Qtr
Aitken Hume				

NOTES—Gross: rate in those except from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ø Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◊ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	35	NEI	8
Amstrad	16	Nat West Bk	55
BAT	47	P & O Dfd	55
BOC Grp	42	Plessey	20
BSR	12	Polly Peck	20
BTR	30	Racal Elect	20
Babcock	19	RHM	30
Barclays	47	Rank Org Ord	55
Beecham	48	Reed Intnl	42
Blue Circle	62	STC	20
Boots	25	Sears	12
Bowaters	57	TI	55
Brit Aerospace	58	TSB	8
Brit. Telecom	20	Tesco	42
Burton Ord	23	Thorn EMI	50
Cadburys	22	Trust Houses	20
Charter Cons	30	Turner Newall	24
Comm Union	29	Unilever	150
Courtaulds	35	Vickers	35
FNFC	20	Wellcome	50
Gen Accident	88	**Property**	
	18	Brit Land	17
Glaxo	110	Land Securities	30
Grand Met	40	MEPC	32
GUS 'A'	100	Peachey	30
Guardian	85	**Oils**	
GKN	30	BOM	3½
Hanson Tst.	15	Brit Petroleum	60
Hawker Sidd	50	Burmah Oil	30
ICI	80	Charterhall	4
Jaguar	52	Premier	4
Ladbroke	40	Shell	75
Legal & Gen	25	Tricentrol	11
Lex Service	35	Ultramar	17
Lloyds Bank	48	**Mines**	
Lucas Inds	55	Cons Gold	65
Marks & Spencer	18	Lonrho	24
Midland Bk	55	Rio T Zinc	65
Morgan Grenfell	35		

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON SHARE SERVICE

BRITISH FUNDS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
6Oct	6Apr	Exch. 10½pc 1987	99⅝xd	1.9	10.50	10.58
1 Nov	1 May	Funding 6½pc 85-87	99⅛	25.9	6.55	10.16
12Dec	12Jne	Treas. 10pc 1987	99⅞	18.12	10.01	10.18
14Jan	14Jly	Treas 3pc 1987	98⅜	8.12	3.04	7.05
3May	3Nov	Treas. 12pc 1987	102⅛	29.9	11.84	9.78
26 Jul	26 Jan	Treas 7¼pc 1985-88‡‡	98¾	22.12	7.85	9.20
10Nov	10May	Exch 10½pc '88	100⅞	6.10	11.41	9.65
14Dec	14Jne	Treas 9¾pc Cv '88	100⅛	18.12	9.74	9.66
1Jan	1Jul	Transport 3pc '78-88	95⅛	25.11	3.15	6.78
25 Apr	25 Oct	Treas. 9½pc '88	99⅜	18.9	9.52	9.64
22 Aug	22 Feb	Treas 11½pc 1989	103⅜	26.1	11.12	9.52
18 Oct	18 Apr	Treas 9½pc Cnv 1989	99⅞	11.9	9.51	9.56
15Nov	15May	Treas 3pc 1989	92⅛	9.10	3.26	6.94
14Dec	14Jun	Treas 10½pc 1989	102	18.12	10.29	9.46
1Feb	1Aug	Exch 10pc 1989	101	29.12	9.89	9.50
29 Mar	29 Sep	Exch 11pc 1989	105⅛xd	26.8	10.44	9.45
15 Apr	15 Oct	Treas 5pc 1986-89	93⅛	8.9	5.35	7.84
15 May	15 Nov	Exch 10¼pcCv '89	104⅜	9.10	9.74	8.03
15 Jul	15 Jan	Treas 13pc 1990‡‡	108⅞	9.12	11.94	9.37
22 Aug	12 Feb	Exch 11pc 1990‡‡	103⅞	6.1	10.59	9.43
22 Sep	22 Mar	Exch. 12½pc 1990	107⅞xd	18.8	11.58	9.44
8 Nov	8 May	Treas. 3pc 1990	88⅜	2.10	3.39	7.11
15 Dec	15 Jun	Treas 8¼pc 1987-90‡‡	98⅛	18.12	8.39	8.82
25 Apr	25 Oct	Treas. 10pcCv 1990	101⅛	18.9	9.85	9.53
22 May	22 Nov	Exch 2½pc 1990	85⅞	16.10	2.91	6.82
10 July	10 Jan	Treas 11¾pc 1991	107⅛	4.12	10.94	9.42
5Oct	5Apr	Funding 5¾pc '87-91‡‡	91½xd	1.9	6.28	8.24
13 Nov	13 May	Treas. 3pc 1991	85⅛	—	3.51	7.10
12Jan	12July	Treas 10pc Cv '91	105⅛	8.12	9.49	8.54
25Apr	25Oct	Exch. 11pc 1991	105⅞	18.9	10.40	9.44
22Jly	22Jan	Treas 12¾pc 1992‡‡	113⅛	16.12	11.27	9.37
21Aug	21Feb	Treas 10pc 1992	102⅞	15.1	9.72	9.28

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Feb Aug	Monks & Crane 10p	126	22.12	12.7	2.9	3.0	15.4
Jan. July	Morgan Crucible	318	10.11	†8.5	1.5	3.8	21.1
—	Morris (W) F.A. 20p	21½	—	—	—	—	—
July Oct	Myson Grp 10p	193	29.9	†2.68	2.6	1.9	24.9
Nov June	NMW Computers	295	13.10	†6.0	3.0	2.9	17.0
Mar. Sept.	Nash Inds.	192	26.1	1.9	2.6	1.1	48.7
—	Neil & Spencer 10p	18½	9'81	—	—	—	—
Jan July	Newman Inds 10p	43½	15.9	†0.8	1.5	2.6	31.0
Apr Sept	Noble & Lund 10p	92	29.9	0.7	4.3	1.1	30.3
—	Nobo Group 10p	163	—	‡4.75	2.8	4.1	12.4
April Dec	Nolton	49	24.11	1.2	2.9	3.4	14.0
Oct June	Norank Systems 5p	157	15.9	[illegible]	—	1.3	20.1
Jan. Aug.	Norcros	312	22.12	†9.3	2.3	4.2	14.3
Oct. Apr	Nu-Swift 5p	308	27.10	†5.5	2.1	1.6	40.3
May Nov	OCE 9pc Cnv 1987-92	£245½	27.10	Q9%	—	†3.7	—
Dec Aug	Oakwood Grp.	140	26.1	4.0	0.6	4.0	53.8
Dec July	Office & Elect	283	27.10	8.5	2.9	3.9	8.3

INSURANCES

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

THIRD MARKET

NOTES

REGIONAL & IRISH STOCKS

CONSTRUCTION CONTRACTS

Building a road across Turkey

BALFOUR BEATTY, construction arm of the BICC Group, has signed a contract valued at US$70m (£44.4m), with the Highways Department of the Turkish Ministry of Works and Settlement to build a section of the Trans-Turkey Highway. This is to be undertaken in joint venture with the Turkish construction company Entes.

The new road is 37.5 km long between Kazanci and Gumusova, midway between Ankara and Istanbul, and links up with the second Bosporus Bridge now under construction. The motorway will be two-lane dual carriageway in flexible construction. A 4 km long connection to the existing E5 highway is included.

The award follows two years of negotiation with the Turkish Authorities during which Balfour Beatty was asked to arrange the project finance. The funding takes the form of three syndicated loans led by Morgan Grenfell, of which the US$42m medium term Eurodollar loan was signed on February 24. The British (ECGD) and Italian (SACE) buyer credits will be signed in due course.

Residential retail and sports complex in Brunei

Another new territory has been opened up by TAYLOR WOODROW INTERNATIONAL with the award of a £5.8m contract to build a residential, retail and sports complex in Brunei. The order has been placed by the Sultan of Brunei's family with Teamwork Sdn Bhd, TWI's locally-based subsidiary, and entails the construction of three blocks of apartments, a shopping complex and a sports centre at Kampong Mabohai, a suburb of the state capital, Bandar Seri Begawan. A major superstore will be included in the three storey, 2,500 sq metres shopping area, which will have adjacent two-storey parking for 92 cars. The project is scheduled for completion in August 1988.

★

MATTHEW HALL ENGINEERING has been awarded a £500,000 contract by BP Oil Grangemouth Refinery for work in connection with a planned 1987 shutdown for maintenance at Grangemouth refinery. Work has already commenced and involves crude oil distillation—unit No 3 and fluid catalytic cracking unit offsites. Field activities are scheduled to be completed by the end of March.

Major London developments for Balfour Beatty group

Contracts awarded to BALFOUR BEATTY, a BICC company, total over £69m. The largest is for refurbishment and reconstruction of Whiteleys Store in Bayswater for the Whiteleys Development Partnership of Arlington Securities, London & Metropolitan Estates, and Dartmouth. The work, valued at £30.5m, comprises refurbishment of the oldest part of the store, which is a grade 2 listed building, and demolition of the remainder beyond the retained facade. The new construction will be in reinforced concrete and brick cladding. The project is due for completion in 20 months and will provide a total of 250,000 sq ft retail space.

Another large order is for the initial phase of a £27m project in the Isle of Dogs for Glengall Bridge, a company jointly owned by London & Edinburgh Trust and Balfour Beatty Developments. The project comprises a mixed scheme of office buildings, business units, retail and residential units. It also involves substantial works to the Millwall Dock and construction of a new bridge. The first phase is valued at £13m and is due for completion by June 1988.

Resurfacing of the M6 motorway between junctions 31 and 32 in Lancashire involves the planning and resurfacing of both carriageways and hardshoulders over 5.5 km. Included is strengthening and surface treatment to the central reservation, kerbing, landscape works and traffic management. Starting this week with a 159-day construction period, the work, valued at £5.2m, will be carried out in four phases, suspended for nine days over Easter.

Work on the A2 Thong Lane to M2/junction 1 in Kent includes construction of hardshoulders, reconstruction and overlay works over 2.5 km of three-lane dual carriageway. This £2.79m contract was awarded by Kent County Council and starts on March 30 for completion by July 12.

Southern Water Authority has awarded the company a £2.4m contract at Margate, involving construction of a sewage pumping and treatment headworks consisting mainly of a reinforced concrete substructure 23 metres wide by 50 metres long and up to 20 metres below ground level. This 18-month contract starts this month.

The company has been awarded a management contract valued at £674,000 by Chesterfield Properties to refurbish the Quasar Centre at Townend Square, Walsall, West Midlands. This will include installing two escalators, glazed enclosures and other general refurbishment to staircases, shop fronts and pavings. Work has started for completion by August of this year.

Advance work for M1 reconstructure at Junction 10 was awarded by Hertfordshire County Council, involving construction of a central reserve crossover, drainage, strengthening of the hardshoulder and carriageway, alterations to lighting and safety fencing. This six week contract is valued at £630,000.

A £172,000 contract awarded by Heron Homes is for a 5.6 metre extension to a 14 metre span bridge over electrified tracks at Belmont Glade, Blackheath. Work starts this month with a 30-week construction programme.

Keeping Jaguar's roof on

A six-acre structure in Birmingham is being reroofed by NORWEST HOLST in a £2m design and construct contract for Jaguar Cars. To ease construction Jaguar specified a special temporary roof cover to allow the work to continue unimpeded by the weather. Supported by simple trusses and made from high quality lightweight polythene, the sheets sit on guide tracks fixed to the structure and cover the roof in eight metre bays. These sheets, of which there are 20, can be moved singly or in groups, giving protection to the work as it progresses. Work to the roof—which covered production lines of the Spitfire fighter planes during the last war—involves removal of the covering and replacement by a metal roof deck with insulation and a flexible pvc membrane above. Working to a fast programme, the contract will be completed early this summer just 21 weeks after the start.

Radioactive waste store

A major design and construction contract valued at over £40m for a radioactive waste storage facility at British Nuclear Fuels' Sellafield reprocessing plant in Cumbria has been awarded to TAYLOR WOODROW MANAGEMENT AND ENGINEERING of Hayes, Middlesex.

The purpose built beta-gamma store will house dry intermediate level waste, including filters and equipment used in the reprocessing of spent nuclear fuel in 1989.

The company has been working on the design of the store since late 1985. The work has included the original design of stacking, lidded metal storage boxes for the waste, a semi-automatic remote handling system for the store and the safety assessment of the complete design.

Portsmouth retail project

SIR ROBERT McALPINE MANAGEMENT CONTRACTORS has commenced work on a multi-storey car park, DIY store and garden centre project in Plymouth worth almost £8m for Morgan Grenfell (Local Authority Finance) on behalf of the City of Plymouth. Occupying a two-hectare site in Western Approach, the complex comprises a Homebase DIY store, a garden centre and a separate multi-storey car park for 1,376 vehicles on the ground and seven upper levels. Construction will be of reinforced concrete frame on piled foundations. The Homebase store will be finished in glazed walling and metal cladding, with Pagoda-shaped GRP parapet units containing planter troughs with cascading plants and shrubs. It will provide a 2,800 sq metres sales area with 800 sq metres storage space, all on one level. The indoor garden centre will cover an area of 1,500 sq metres. Work includes installation of six passenger lifts and construction of a high-level pedestrian walkway with bridge links over adjacent roads.

Orders worth £15m for Willmott

The JOHN WILLMOTT BUILDING GROUP has won contracts worth more than £15m. They include a multi-million pound housing development, a £2.4m maintenance depot for the RAF and two conversion jobs in central London.

Willmott has started work on a £1m cash and carry warehouse in London's Docklands and a £1.5m contract for Spicers, to build a central distribution warehouse at Cambridge.

Preliminary works have begun on a computer suite for the Provident Mutual Life Assurance Association of Hitchin and sheltered accommodation for Saville Properties at St Ives, Cambridgeshire.

A. E. Symes is engaged in a delicate reconstruction job in the capital — working behind a Georgian facade and round a medieval wall, both being carefully preserved, to construct modern offices and flats in St John's Square. A. E. Symes has also started work on a new phase of Stratford Office Village, in a £656,000 contract.

New work for the group's house builder, John Willmott Housing, includes contracts worth in the region of £3.8m. A three-storey block of flats is being built for the elderly for the Royal Borough of Windsor and Maidenhead at a cost of over £600,000. An 18-months contract for the Declan Kelly Group at Cowley, Middlesex, will provide 114 flats and 64 houses at a contract value of £3.2m.

In East Anglia, Willmott subsidiary, Bush Gould, is engaged in two contracts for the Property Services Agency at RAF Bentwaters. They involve construction of vehicle maintenance and operations facility buildings, and a warehouse, worth in the region of £3.5m. Bush Gould has also started work on the remodelling and extension of a National Westminster Bank premises at Lowestoft, in a contract valued at more than £350,000.

Work worth more than £500,000 has been awarded in north London on two conversion jobs in the capital. The company has won a contract from the Home Office, worth in the region of £240,000, for conversion of the Bath House at Pentonville Prison, and another valued at around £280,000, from Peel Properties, for refurbishment of the Hop Exchange, Southwark Street, London, a listed building.

DIARY DATES

Parliament

TODAY

Commons: Until 7 pm Opposition debate on the prospects for the removal of intermediate nuclear weapons from Europe in the light of Mr Gorbachev's willingness to conclude a separate INF agreement, followed by a debate on the disparity of opportunities within the UK, on a motion tabled by the Alliance parties.

Lords: Consumer Protection Bill, report. Fire Safety and Safety of Places of Sport Bill, third reading. Parliamentary Constituencies (Scotland) (Miscellaneous Changes) Order, 1987, motion for approval.

Select committees: Home Affairs: sub committee on race relations and immigration—subject: passport control. Witness: Home Office officials (Room 6, 4.15 pm). Foreign Affairs — subject: cultural displomacy. Witness: Central Office of Information (Room 15, 4.30 pm). Public Accounts — subject: Scottish Special Housing Association. Witnesses: T. R. H. Godden, Scottish Development Department; F. C. Marks, Scottish Special Housing Association. (Room 16, 4.45 pm).

TOMORROW

Commons: Debtors (Scotland) Bill, second reading. Parliamentary and Health Service Commissioners Bill, remaining stages. Motion on the Public Order (Northern Ireland) Order.

Lords: Territorial Sea Bill, third reading. Local Government Finance Bill, third reading. Petroleum Bill, second reading. Rate Support Grants Bill (Money Bill), second reading and remaining stages. Public Order (Northern Ireland) Order, motion for approval.

Select committees: Norfolk and Suffolk Broads Bill (Room 5, 10.30 am). Education, Arts and Science—subject: special educational needs. Witnesses: National Union of Teachers; National Association of Head Teachers (Room 16, 10.40 am). Procedure—subject: early day motions. Witness: D. W. Limon principal clerk, Table Office (Room 15, 6 pm).

WEDNESDAY

Commons: Estimates day: Debate an assistance to the coal industry, followed by a debate on a motion relating to the motor vehicle industry and on the 1980 Industry Act (Increase of Limit). Order Lords amendments to the Local Government Finance Bill.

Lords: Debate on the importance of manufacturing industry in Britain. Unstarred question on whether the Government will ensure that the RB-199 is the interim engine for the European fighter aircraft.

Select committees: Foreign Affairs — subject: cultural diplomacy. Witness: Mr Tim Eggar, Under Secretary for Foreign Affairs (Room 8, 10.30 am). Welsh Affairs — subject: the condition and repair of privately owned housing: Witnesses: Housing Centre Trust: All Wales panel of chief environmental health officers (Room 18, 10.30 am). Trade and Industry — subject: motor components industry. Witnesses: BTR and Turner and Newall (Room 15, 10.45 am). Public Accounts — subject: information technology in the Inland Revenue Department. Witnesses: Board of Inland Revenue officials (Room 16, 4.15 pm).

Transport—subject: decline of the UK registered merchant fleet. Witnesses: British Motor Ship Owners Association and the British Maritime League (Room 17, 4.15 pm). Environment — subject: pollution of rivers and estuaries. Witnesses: Ministry of Agriculture officials (Room 20, 4.30).

THURSDAY

Commons: Debate on the arts until 7 pm. Debate on a motion on EEC documents relating to trade agreements between the Community and the US. Motion on the Industrial Training Levy (Engineering Board) Order.

Lords: Consumer Protection Bill, report. Social Fund (Maternity and Funeral Expenses) Bill, committee.

Select committees: Norfolk and Suffolk Broads Bill (Room 5, 10.30 am).

FRIDAY

Commons: Private members motions.

FINANCE

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Blue Arrow, Howard Hotel, Temple Place, Strand, WC, 10.30
Granada Group, Waldorf Hotel, Aldwych, WC, 11.30
Trusthouse Forte, Grosvenor House, Park Lane, W, 11.00
United Scientific, Royal Westminster Hotel, Buckingham Palace Road, SW, 12.00

BOARD MEETINGS—
Finals:
Antofagasta Hldgs
Beatson Clark
Bremner
Brit Vita
Broad St Grp
Edinburgh Fund Managers
Laidlaw Thomson
Low and Bonar
Persimmon
Ransomes Sims and Jefferies
T and S Stores
Interims:
Attwoods
Brierley Invs
Bryant Hldgs
Continental Microwave
Parker Knoll
Shandwick
Strong and Fisher

DIVIDEND & INTEREST PAYMENTS—
Anheuser-Busch 12cts
ASDA-MFI 1.37p
Bett Bros 2p
Cardiff Property 1.25p
Christiania Bank OG Kreditkasse Fltg Rate Sub Nts 1994 $300.17. Fltg Rate Sub Nts 2001 $289.1
First Interstate Overseas NV Gtd Fltg Rate Sub Nts 1995 $157.99
Gold Greenlees Trott 1.2p
Hampson Inds 0.375p
Johannesburg Cons Inv 157.2177p
Lockheed 25cts
Midland Int Fin Serv BV Gtd Fltg Rate Nts 1999 $297.01
Moorgate Mercantile 0.55p
Nationwide Bldg Society Fltg Rate Nts 1996 (2nd Ser) £42.98
Racal Electronics 0.805p
Rockwell Intnl 33cts
Royal Bank of Canada Fltg Rate Db Nts 2085 $161.15
Royal Trustco Fltg Rate Sub Cap Db 2085 $296.64
Wells Fargo Fltg Rate Sub Nts 1994 $157.99

TOMORROW

COMPANY MEETINGS—
Continental Assets Trust, 1, Charlotte Square, Edinburgh, 12.30

BOARD MEETINGS—
Finals:
BBA
Bensons Crisps
Bluebird Toys
De Beers Cons Mines
Federated Housing
Hongkong and Shanghai Bkg Cpn
Lambert Howarth
Owners Abroad
Pentos
Robinson Bros (Ryders Green)
Robinson (Thomas)
Wickes
Wodhouse and Rixson
Interims:
British Car Auction
Miller and Santhouse
Prestwich
Wolseley

DIVIDEND & INTEREST PAYMENTS—
Agricultural Mortgage 6½pcDb 1985-90 3¼pc
Chevron 60cts
Damon 5cts
Dun and Bradstreet 64cts
Exxon 90cts
GT Asia (Sterling) Fund Ptg Red Pf 40p
Grace (W. R.) 70cts
Hoesch Indi 75cts
Intnl Business Machines 110cts
Kraft Inc 43cts
Mobil 55cts
Nedlibra Finance BV Gtd Fltg Rate Nts 1988 $160.94
Scott Paper 34cts
Squibb 60cts
Sun Co Inc 75cts
Tenneco 76cts
Texaco 75cts
Travelers Corp (The) 57cts
Treasury 5½pc 2008-12 2¾pc
Utd Technologies 35cts
Warner-Lambert 42cts

WEDNESDAY MARCH 11

COMPANY MEETINGS—
Control Techniques, St Giles, Newtown, Powys, 12.00
London Scottish Finance, St James' Club, St James' House, Charlotte Street, Manchester, 12.00
Lookers, Lancashire County Cricket Club, Talbot Road, Stretford, Manchester, 12.00
Widney, Plume Street, Birmingham, 12.15

BOARD MEETINGS—
Finals:
BTR
Cement-Roadstone
GKN
Hewitt (J.) and Son (Fenton)
New Darien Oil Tst
Novo Industri
Rivlin
Stat-Plus
Ultramar
Waterford Glass
Waterford Wedgwood
Interims:
Belam
CALA
Harrisons Malaysian Plantn Berhad
Mucklow (A. and J.)
Precious Metals Tst
Trafford Park Est

DIVIDEND & INTEREST PAYMENTS—
Bankers Tst New York Fltg Rate Sub Nts 2000 $156.25
Export Development Corp 11½pc Nts 15.12.89 Ser RC C$57.47
Mercantile House 4.25p
Redpath Inds 9pcDb 1989 $44.00

THURSDAY MARCH 12

COMPANY MEETINGS—
Warner Estate, Claridge's, Brook Street, W, 12.15

BOARD MEETINGS—
Finals:
Anglo American Ind
Appleyard
CSC Inv Tst
Collins (Wm)
European Home Prods
Gen Mining Union Cpn
Glynwed Intnl
Ladbroke
Sharpe and Fisher
Tyne Tees TV
World of Leather
Interims:
Lysander Petroleum
Mitchell Cotts Intnl Eng, Transpt and Trdg
Next

DIVIDEND & INTEREST PAYMENTS—
Bogod-Pelepah 0.05p. A (Res Vtg) 0.1p
Citicorp Overseas Finance Corp NV Gtd Fltg Rate Nts 1994 $16.09
Korea Exchange Bank Fltg Rate Nts 1999 $317.38
London Scottish Finance 2.1p
Monsanto 65cts
Nedlibra Finance BV Gtd Fltg Rate Nts 1993 $1608.38
Parkdale 0.8p
Widney 0.47p

FRIDAY MARCH 13

COMPANY MEETINGS—
McMullen and Sons, 26, Old Cross, Hertford, 12.30
Plastic Constructions, Birmingham Chamber of Industry and Commerce, 75, Harborne Road, Birmingham, 10.30

BOARD MEETINGS—
Finals:
Invergordon Dists
Wilkes (James)

DIVIDEND & INTEREST PAYMENTS—
Boeing 35cts
British Bloodstock Agency 2.5p
CSX Corp 29cts
Control Techniques 2p
Dana Corp 34cts
Elandsrand Gold Mining 75cts
Louisiana Land and Exploration 25cts
Lucas Inds 7¼pcLn 1985-88 3⅝pc
Lydenburg Platinum 68cts
Newmark (Louis) 5p
South African Land and Exploration 14.98511p
Southvaal 138.80952p
State Bank of New South Wales 14½pc Ser A Nts 1993 7¼pc
Vaal Reefs Exploration and Mining 378.57143p
Western Deep Levels 111.99404p

SUNDAY MARCH 15

DIVIDEND & INTEREST PAYMENTS—
BICC 7pcDb 1985-90 3½pc
Calfed 15cts
Conversion 12pc 1995 6pc
Funding 6pcLn 1993 3pc
Gartmore American Securities 11½pcDb 2014 5¾pc
Govett Strategic Inv Tst 5pc1stDb 1985-1990 2½pc
Pennzoil Company 55cts
Redfearn National Glass 10½pcDb 1992-1997 5¼pc
Saab-Scania 8½pcBds 1989 4¼pc
Singer 10cts
Svensk Exportkredit AB 15¼pc Nts 1989 7⅝pc
Sweden (Kingdom of) 9½pcLn 2014 (Reg) 4¾pc
TRW 80cts
Treasury 9pcLn 1992-96 4½pc

Trade fairs and exhibitions: UK

Current
British Ski Trade Exhibition—SKI-EX (0922 24661) (until March 11). Harrogate

March 11-13
Computers in Retail and Retail Technology Exhibition (01-222 9090) NEC, Birmingham

March 14-15
Wedding Exhibition (041-332 6776) G-Mex Centre, Manchester

March 15-17
British Footwear Fair (01-739 2071) NEC, Birmingham

March 17-19
International Powder and Bulk Solids Technology Exhibition—POWTECH (01-686 5741) G-mex Centre, Manchester

March 22-24
International Cycle and Leisure Fair—CYCLEX (01-390 2211) Olympia

March 24-26
International Food and Drink Exhibition. (031-225 5486) King's Hall, Belfast

March 24-27
Information Technology and Office Automation Exhibition and Conference—INFO (01-647 1001) Olympia

April 7-8
British International Antiques Fair (021-780 4171) NEC, Birmingham

April 8-9
Better Made in Britain 5: Clothing, Knitwear and Footwear; 6: Building Components and DIY (01-211 7153) Kensington Exhibition Centre

April 14-16
International Trenchless Construction for Utilities—Conference and Exhibition (0923 778311) Kensington Exhibition Centre

April 14-16
International Book Fair (01-940 6065) Olympia

April 17-18
Cash and Carry Fashion Fair (01-727 1929) Kensington Town Hall

April 24-26
Atari Computer Show (061 456-8835) Novotel

April 26-28
International Confectionery Market Exhibition — INTER-CONFEX (01-661 4900) NEC, Birmingham

Overseas

Current
Winter Sports Equipment Exhibition (01-439 3964) (until March 11) Grenoble

March 15-21
International Spring Fair (01-248 7013) Leipzig

March 25-29
International Spring Trade Fair (01-977 4551) Vienna

April 3-9
International Chemical and Petrochemical Industry Exhibition (01-486 1951) Beijing

April 9-12
International Toy Fair—SPIEL (01-977 4551) Vienna

April 16-18
International Electro-Optics and Laser Exhibition (01-940 3777) Tokyo

April 22-28
International Computer & Office Automation Exhibiton—KIECO (01-439 0501) Seoul

Business and Management Conferences

March 11
City Dialogue: Financial engineering in property (01-937 1548) Savoy Hotel, WC2

March 16
Campaign / Admap seminars: Monitoring advertising performance—the annual review of the best practice (01-379 6576) Cavendish Conference Centre, W1

March 17-18
Insurance and Reinsurance Research Group: Airline insurance—where next ? (01-236 2175) The White House, NW1

March 19-20
FT Conferences: Pensions—The time for action (01-621 1355) Hotel Inter-Continental, W1

March 20
Shapemakers: Designing with aluminium (01-405 0937) Meriden Hotel, W1

March 26
Longman Seminars: EEC Deregulation in the airline industry (01-242 4111) Hotel Inter-Continental, W1

March 31
NEDC/FT Conferences: Enterprise, success and jobs—company success (01-621 1355). Queen Elizabeth II Conference Centre, SW1

April 1
The Institute for Fiscal Studies: The 1987 Budget (01-636 3784) Park Court Hotel, W2

April 1
Longman Seminars: Merger accounting—financial reporting issues (01-242 4111) Cavendish Conference Centre, W1

April 1
The Association of Corporate Treasurers: Modern financial instruments—their practical use (01-631 1991) Hilton Hotel, W1

April 2-4
The Rural Life Conference—action with communities (01-636 4066) Royal Agricultural College, Cirencester

April 6
International Business Communications: 6th annual television planning and buying seminar (01-236 4080) Marriott Hotel, W8

April 8-9
FT Conferences: Technology in the securities market—the next five years (01-621 1355) Hotel Inter-Continental, W1

April 9-10
Institute for International Research: Selling personal financial services within the new regulatory framework (01-434 0301) Park Lane Hotel, W1

April 9-10
Frost and Sullivan: Project management for data processing operations (01-730 3438) Sullivan House, SW1

April 9
CBI: EFTPOS—the payment card revolution (01-379 7400) Centre Point, WC1

April 23-24
Yorkshire Conference Services: UK Budget tax (0423 879437) Harrogate

April 28
The Economist: The ageing population—the new growth market (01-839 7000) Hilton Hotel, W1

April 29
NEDC/FT Conferences: Enterprise, success and jobs—people, the key to success (01-621 1355) Queen Elizabeth II Conference Centre, SW1

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

WORLD STOCK MARKETS

AUSTRIA

1986/87 High	Low	March 6	Price Sch
2,650	1,990	Credit'nst'lt pp	2,000
3,350	2,950	Goesser	3,040
16,000	12,700	Interunfall	13,000
21,750	9,000	Jungbunzlauer	9,080
2,475	1,940	Laenderbank	1,950
795	560	Perlmooser	561
211	140	Steyr Daimler	148
12,50	860	Veitscher Mag	940

BELGIUM/LUXEMBOURG

1986/87 High	Low	March 6	Price Frs.
3,600	2,290	B.B.L.	2,960
16,650	9,600	Banq. Gen. Lux.	15,550
17,000	9,400	Banq. Int.A.Lux.	15,200
14,500	8,230	Bekaert	10,700
4,600	2,640	Ciment CBR	4,800
195	120	Cockerill	136
3,240	1,682	Delhaize	3,020
6,410	3,680	EBES	6,390
2,700	1,680	Fabrique Nat.	1,900
[illegible]	[illegible]	[illegible]	[illegible]

DENMARK

[illegible]

GERMANY

[illegible]

SWITZERLAND

[illegible]

FRANCE

[illegible]

NETHERLANDS

[illegible]

SINGAPORE

[illegible]

HONG KONG

[illegible]

FINLAND

[illegible]

AUSTRALIA

[illegible]

SOUTH AFRICA

[illegible]

SWEDEN

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

JAPAN

1986/7 High	Low	Mar. 6	Price Yen
[illegible]	[illegible]	[illegible]	[illegible]
1,240	277	Tokyo Gas	1,100
1,780	568	Tokyu Corp	1,690
1,780	974	Toppen Print	1,570
739	455	Toray	690
843	367	Toshiba Elect.	634
2,740	1,490	Toyo Seikan	2,030
2,300	1,130	Toyota Motor	1,760
340	200	UBE Inds.	315
3,360	1,490	Victor	2,390
775	503	Yamaha	710
2,340	680	Yamaichi Sec	2,280
4,200	2,890	Y'manouchiPhm	4,050
1,920	777	Yamazaki	1,890
1,140	495	Yasuda Fire	1,120

ITALY

1986/7 High	Low	March 6	Price Lire
34,995	19,980	Banco Com'le.	25,810
868	575	Bastogi-IRBS	671
16,400	5,765	C.I.R.	5,765
4,590	2,990	Credito Italiano	3,050
17,850	6,831	Fiat	12,410
172,038	75,150	Generali Assicur.	130,300
81,505	48,200	Italcementi	74,310
1,430	980	La Rinascente	1,170
4,533	2,706	Montedison	2,820
18,890	8,710	Olivetti	12,430
8,970	6,085	Pirelli Co.	6,870
6,510	3,370	Pirelli Spa	5,265
6,886	4,480	Saipem	4,485
7,650	4,565	Snia BPD	4,750
64,500	24,250	Toro Assic	29,050

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Schillings.

CANADA

TORONTO

Closing prices March 6

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2114	Precamb	260	255	255	+5
3099	Provigo	$21	21	21	−⅜
8700	Que Sturg	$5⅛	5	5⅛	
6710	Que Tel	$14¼	14⅛	14¼	
12290	Ranger	$6½	6¼	6¼	−⅛
17750	Rayrock f	$10⅜	9¾	10	−¼
9500	Redpath	$14⅞	14¾	14¾	
4500	Regionl R	191	190	191	+1
2500	Raltman A f	$26¾	26¾	26¾	−¼

F—No voting rights or restricted voting rights.

MONTREAL

Closing prices March 6

Sales	Stock	High	Low	Close	Chng
33608	Bank Mont	$34¼	34⅛	34¼	+¼
12215	BombrdrA	$23	22½	22⅞	
85860	BombrdrB	$23	22¼	23	+¼
4400	CB Pak	$22¼	21⅞	22	+⅛
21659	Cascades	$14	13⅝	13⅝	−⅛
16043	ConBath	$19½	18⅝	19½	+⅝
21356	DomTxtA	$19⅝	19	19¼	+¼
11173	MntTrst	$16½	16⅛	16½	+¾
125836	NatBk Cda	$16¼	16	16¼	
24532	Noverco	$13⅜	13½	13⅜	+⅛
148568	Power Corp	$19½	19	19½	+½
8570	Provigo	$21¼	20¾	20¾	−⅜
2150	RollandA	$18¾	18⅝	18⅝	−⅛
186783	Royal Bank	$33¾	33⅛	33¾	+⅜
12900	SteinbrgA	$40	39⅝	40	+½

Total Sales 8,465,463 shares

OVER-THE-COUNTER

Nasdaq national market, Closing prices March 6

Continued from Page 33

[illegible]

Indices

NEW YORK

[illegible]

	Mar. 6	Mar. 5	Mar. 4	Mar. 3	1986/87 High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SPAIN Madrid SE (30/12/85)	241.37	244.31	246.85	247.43	255.95 (25/2/87)	199.85 (5/1/86)
SWEDEN Jacobson & P (31/12/56)	2445.46	2459.5	2476.66	2451.68	2672.75 (7/11)	1723.57 (29/1/86)
SWITZERLAND Swiss BankCpn (31/12/58)	565.2	566.3	571.3	567.9	619.8 (6/5/87)	457.2 (4/8/86)
WORLD MS. Capital Intl. (1/1/70)	—	419.6	418.7	414.1	414.1 (5/6/87)	248.8 (23/1/86)

** Saturday February 28: Japan Nikkei 20,766.7. TSE 1,793.17.

Base value of all indices are 100 except Brussels SE—1,000. JSE Gold—255.7. JSE Industrial—264.3, and Australia. All Ordinary and Metals—500; NYSE All Common—50; Standard and Poors 10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financial and 20 Transports. c Closed. u Unavailable.

CANADA

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

Amax agrees disposal

By Our Financial Staff

AMAX, the large but struggling US mining group, has agreed the A$248.4m (US$168.5m) disposal of its holding in Australian Consolidated Minerals, the Perth-based gold explorer and producer.

The Connecticut group did not identify the buyer of the stake. Amax, which has long held an interest of up to 45 per cent in ACM, said it had taken a strategic decision to shed its investment despite the Australian company's "excellent future prospects."

The deal includes 35.2m shares sold at A$6.32 each, plus associated options at A$4.82 apiece. Amax said it would continue to seek mineral and related opportunities in Australia as part of its international activities but that the latest deal was aimed at increasing shareholder value.

For the past year Amax has been engaged in a restructuring programme in an attempt to stem losses and is poised to return to the black this year.

Closing prices, March 6

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock		Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
33	19 1/8	AAR	s	.50	1.6	23	221	31 7/8	31 1/4	31 3/4	− 1/8
34	21 7/8	ADT		.92	2.7	20	489	u34 1/4	32 3/4	34 1/4	+ 1 3/8
38 3/4	20 3/4	AFG	s	.12e	.3	11	112	38 3/4	38 1/4	38 3/8	
39 1/4	16 3/4	AGS				23	694	u40 1/4	39 1/4	39 5/8	+ 3/8
15	6 3/4	AMCA					20	8 7/8	8 5/8	8 7/8	
9 3/8	4 7/8	AM	Intl				810	9 1/4	8 7/8	9	− 1/4
62 1/8	47 1/4	AMR				13	2696	58 3/4	57 7/8	58 1/2	− 1/2
27 1/2	24 1/2	ANR	pf	2.67	10.		6	26	26	26	
18 1/8	8	ARX	s			13	123	11 5/8	11 1/8	11 1/8	− 3/8
49	28 3/4	ASA		2a	4.3		626	47 3/8	46 3/4	47	− 5/8
17 3/8	9 3/4	AVX			1.9		239	16 3/4	16 1/4	16 3/4	+ 1/8
32 3/4	26 1/2	AZP		2.72	8.5	10	1161	32 1/8	31 3/4	31 7/8	− 1/8
63 3/8	35 1/8	AbtLb	s	.84	1.3	27	3381	62 7/8	62 1/8	62 3/8	− 1/2
34	25	AccoWd		.62	1.9	21	348	33	32 3/4	32 3/4	− 1/8
14 1/8	9	AcmeC		.40	3.0	25	76	13 1/4	13	13 1/4	+ 1/8
9 1/8	6 3/8	AcmeE		.32b	4.4	25	68	7 1/4	6 3/4	7 1/4	+ 1/2
23 7/8	18 1/4	AdaEx		3.42e	15.		157	22 1/4	21 3/4	22 1/4	+ 1/4
19 1/4	11 3/8	AdmM	s	.24	1.2	16	26	u19 3/8	18 3/4	19 3/8	+ 5/8
20 7/8	12 1/8	AdvSys		.62t	3.2	16	60	19 3/4	19 1/2	19 5/8	− 1/8
32 3/4	12 7/8	AMD					3810	21 1/4	20 3/4	21	− 1/8
10 3/8	5 1/4	Adobe					84	8 7/8	8 3/4	8 7/8	
20	13 3/4	Adob	pf	1.84	9.2		28	20	20	20	+ 1/8
21 7/8	16 3/8	Adob	pf	2.40	11.		38	21 3/4	21 1/2	21 3/4	+ 1/4
18 3/8	11 1/2	Advest		.12a	1.0	10	1419	12 1/2	11 3/4	12 1/4	
68 1/4	53	AetnLf		2.76	4.1	11	2416	67 1/2	67 1/8	67 1/4	− 1/4
54 3/8	51 1/8	AetL	pf	2.81e	5.4		x242	52	51 5/8	51 3/4	− 1/8
48	21 7/8	AflPb	s	.32	.7	26	351	48	46 1/2	47 3/4	+ 2
28 3/4	18 7/8	Ahmans		.88	3.4	8	4073	26 1/4	26	26 1/4	+ 1/8
[illegible]	[illegible]	[illegible]					[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 33

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NYSE COMPOSITE CLOSING PRICES

Continued from Page 32

12 Month High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
28¼	21½	XTRA	.64	2.3						
20¼	13½	Yorkin n			23	283	20¼	19⅞	20¼	+¼
5	2¼	Zapata				126	3⅝	3½	3½	
43⅞	20¾	Zayre s	.32	1.0	22	3767	31¼	30⅛	30¾	+¼
17	9¾	Zemex	.40	3.1	8	65	12⅞	12⅝	12¾	+¼
25⅞	16⅞	ZenithE				1083	23½	23⅜	23½	−⅛
18¼	8	ZenLb s			77	7266	12¼	11⅛	12¼	+⅞
22⅝	12¾	Zero	.36	1.9	20	68	19	18⅝	18⅝	−⅜
50⅞	32¾	Zurnin	1.32	2.7	19	218	49⅛	48⅝	49⅛	+¼
10⅝	8¼	Zweig n.10e		1.0		865	9⅝	9½	9⅝	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices, March 6

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OVER-THE-COUNTER

Nasdaq national market, Closing prices, March 6

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 31

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling adopts an independent air after Group of Six meeting

by Colin Millham

STERLING ACTED like an independent, emancipated woman last week. The currency, encouraged by the government, has always tried to adopt an air of independence, and *has been known to flirt with the* Continentals, but it has been wed to the dollar for some time, as far as the market was concerned.

The pound has faithfully followed the dollar down since the New York currency agreement, by the Group of Five, in September 1985, but the recent Group of Six meeting in Paris *appears to have heralded divorce* proceedings.

Dealers only began to wake up to the changing situation last week, bringing forth the comment that "sterling really does have a life of its own."

The pound rose to its highest level for six months, according to the Bank of England's exchange rate index, and to the highest against the dollar for nearly four years.

Sterling broke through resist*ance at $1.55 at the beginning of* the week, and dealers were soon beginning to think in terms of $1.60.

The Bank of England intervened to sell the pound, and at first dealers were encouraged to believe this was following the line agreed at the Group of Six meeting in Paris.

But it soon emerged that the Bank's action was on a small scale, and was mainly aimed against the D-Mark, and not the dollar. The market regarded the intervention as more an attempt to build up foreign currency reserves, than to stem the pound's advance.

If the issue of $1bn of 9 per cent 2002 Exchequer stock was also an attempt to take the steam out of London's financial markets the impact was strictly limited. The whole issue was quickly sold out, and the failure of the authorities to announce another tap stock on Friday *kept the market on a strong* tack, as dealers continued to believe the market to be well based.

It was suggested that overseas investors find a growing attraction in the UK economy, expecting yield on Government stock to remain relatively high and sterling to hold on to most of its recent gains.

London's discount houses find themselves in the firing line when there is any pressure on interest rates, but in general the houses were prepared to take the good with the bad last week.

Money was expensive, because the Bank of England found it very difficult to prize enough bills from *the market*

A director of one of the largest discount houses said it was not particularly helpful for the authorities to lend money at 11¾ per cent to the market, when len*ding at 11½ per cent had failed to* calm the mood of enthusiasm.

He believed that this only encouraged hot money into Lon*don, as overseas investors saw* further evidence that UK interest rates would not be cut, at least until the Budget. This pushed up sterling on the exchanges, leading to a further easing of interbank rates, and creating a vicious circle.

The liberated pound enjoyed its time in the spotlight last week, against a background of high London interest rates, firm oil prices, and optimism about the UK economic picture. For the time being *the market is probably prepared* to ignore less encouraging news, *such as the upward revision to* £1.1bn in Britain's 1986 current account deficit.

£ IN NEW YORK

Mar 6	Close	Previous Close
£ Spot	1.5840-1.5850	1.5835-1.5845
1 month	0.59-0.58 pm	0.57-0.56 pm
3 months	1.50-1.47 pm	1.56-1.53 pm
12 months	5.00-4.90 pm	5.02-4.92 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Mar. 6	Previous
8.30 am	71.5	70.9
9.00 am	71.4	70.9
10.00 am	71.4	70.9
11.00 am	71.6	71.3
Noon	71.7	71.3
1.00 pm	71.7	71.3
2.00 pm	71.9	71.4
3.00 pm	72.0	71.3
4.00 pm	71.8	71.4

CURRENCY MOVEMENTS

March 6	Bank of England Index	Morgan Guaranty Changes %
Sterling	71.8	−21.8
U.S. Dollar	103.9	−3.3
Canadian Dollar	78.4	−10.3
Austrian Schilling	138.2	+10.3
Belgian Franc	100.3	−4.3
Danish Krone	93.5	+3.9
Deutsche Mark	147.4	+21.7
Swiss Franc	170.7	+21.8
Guilder	134.9	+14.1
French Franc	72.0	−12.6
Lira	48.3	−16.6
Yen	209.2	+56.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

CURRENCY RATES

Mar. 6	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.79847	0.713022
U.S. Dollar	5.5	1.2653	1.13014
Canadian $	8.2	*	1.50535
Austrian Sch.	4	16.3204	14.5935
Belgian Franc	8½	48.1178	42.9679
Danish Krone	7	8.73340	7.80475
Deutsche Mark	3.0	2.3224	2.07494
Neth. Guilder	4½	2.62495	2.34278
French Franc	9½	7.7350	6.90516
Italian Lira	12	1650.73	1474.83
Japanese Yen	2½	194.36	173.533
Norway Krone	8	N/A	7.84035
Spanish Peseta	—	*	145.393
Swedish Krona	7½	*	7.26906
Swiss Franc	3.5	*	1.74889
Greek Drach.	20½	170.150	151.902
Irish Punt	—	0.87055	0.777530

*CS/SDR rate for Mar. 5: 1.68365

OTHER CURRENCIES

Mar. 6	£	$
Argentina	2.4370-2.4475	1.5350-1.5410
Australia	2.3350-2.3380	1.4740-1.4750
Brazil	28.1200-28.2770	17.7170-17.8060
Finland	7.1770-7.1895	4.5170-4.5190
Greece	210.30-214.20	133.15-135.50
Hong Kong	12.3895-12.4020	7.8020-7.8050
Iran	114.00*	72.40*
Korea (Sth)	1348.40-1360.60	851.60-858.60
Kuwait	0.44010-0.44080	0.27720-0.27740
Luxembourg	60.45-60.55	38.00-38.10
Malaysia	4.0050-4.0110	2.5220-2.5240
N. Zealand	2.8385-2.8485	1.7920-1.7970
Saudi Ar.	5.9550-5.9605	3.7500-3.7510
Singapore	3.4010-3.4060	2.1415-2.1435
S. Af. (Cm)	3.2835-3.3060	2.0725-2.0770
S. Af. (Fn)	5.7760-5.9935	3.6365-3.7735
Taiwan	55.20-55.45	34.90-35.00
U.A.E.	5.8320-5.8370	3.6725-3.6735

* Selling rate.

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.5900	1.5842	1.5751	1.5627	1.5410
D-mark	2.9250	2.9084	2.8800	2.8413	2.7719
French Fr.	9.7300	9.7074	9.6805	9.6518	9.6044
Swiss Fr.	2.4650	2.4515	2.4276	2.3941	2.3310
Yen	244.00	242.75	240.47	238.81	231.55

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu March 6	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	42.9679	+1.20	+1.20	± 1.5344
Danish Krone	7.85212	7.80475	−0.60	−0.60	± 1.6404
German D-Mark	2.05853	2.07494	+0.80	+0.80	± 1.0981
French Franc	6.90403	6.90516	+0.02	+0.02	± 1.3674
Dutch Guilder	2.31943	2.34278	+1.01	+1.01	± 1.5012
Irish Punt	0.768411	0.777530	+1.19	+1.19	± 1.6684
Italian Lira	1483.58	1474.83	−0.59	−0.59	± 4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Mar. 6	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.590	2.925	244.0	9.730	2.465	3.300	2078.	2.115	60.50
$	0.629	1.	1.840	153.4	6.120	1.550	2.075	1307.	1.333	38.05
DM	0.342	0.544	1.	83.42	3.326	0.843	1.12	710.4	0.723	20.68
YEN	4.098	6.516	11.99	1000.	39.88	10.10	13.52	8416.	8.666	248.0
F Fr.	1.028	1.634	3.006	250.2	10	2.533	3.392	2136.	2.173	62.18
S Fr.	0.406	0.645	1.187	98.99	3.947	1.	1.339	843.0	0.856	24.54
H Fl.	0.303	0.482	0.886	73.94	2.948	0.747	1.	629.7	0.641	18.33
Lira	0.481	0.765	1.408	117.4	4.682	1.186	1.588	1000.	1.018	29.11
C $	0.473	0.752	1.383	115.4	4.602	1.166	1.561	982.7	1.	28.61
B Fr.	1.653	2.628	4.835	403.3	16.08	4.074	5.455	3435.	3.495	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

EURO-CURRENCY INTEREST RATES

Mar. 6	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
Sterling	11½-11¼	11⅜-11⅛	10 13/16-10 11/16	10¼-10⅛	10-10⅛	10-10⅛
U.S. Dollar	5 13/16-6 1/16	6-6⅛	6 3/16-6 5/16	6 5/16-6 7/16	6 5/16-6 7/16	6⅜-6½
Can. Dollar	6⅞-7⅛	7-7¼	7 1/16-7 3/16	7 3/16-7 5/16	7 5/16-7 7/16	7⅜-7½
D. Guilder	5½-5⅝	5 7/16-5 9/16	5⅜-5½	5⅜-5½	5 5/16-5 7/16	5 5/16-5 7/16
Sw. Franc	1⅞-2⅛	1⅞-2⅛	4⅛-4¼	4-4⅛	3 15/16-4 1/16	3⅞-4
Deutschmark	3⅞-4	3⅞-4	3⅞-4	3 15/16-4 1/16	4-4⅛	4⅛-4¼
Fr. Franc	7⅝-7⅞	7¾-7⅞	7⅞-8	8 1/16-8 3/16	8¼-8⅜	8¼-8⅜
Italian Lire	9-10	9¾-10¼	9¾-10¼	9¾-10¼	9¾-10¼	9⅞-10⅜
B. Fr. (Fin.)	7⅝-7⅞	7⅝-7⅞	7 9/16-7 13/16	7 9/16-7 13/16	7 9/16-7 13/16	7 9/16-7 13/16
B. Fr. (Con.)	7⅝-7⅞	7⅝-7⅞	7⅝-7⅞	7⅝-7⅞	7⅝-7⅞	7⅝-7⅞
Yen	4⅛-4¼	4¼-4 7/16	4¼-4 7/16	4⅜-4½	4 5/16-4 7/16	4 5/16-4 7/16
D. Krone	10⅞-11⅞	11¼-11¾	11½-12	11¼-11¾	11¼-11¾	11¼-11¾
Asian $ (Sing.)	1⅞-2	N/A	3¼-3⅜	3¼-3⅜	3 5/16-3 7/16	3⅜-3½

Long-term Eurodollars: Two years 6½-6⅝ per cent; three years 6⅞-7⅛ per cent; four years 7¼-7½ per cent; five years 7½-7⅝ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT—FORWARD AGAINST THE POUND

Mar. 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5750-1.5905	1.5895-1.5905	0.60-0.57 c pm	4.42	1.53-1.48 pm	3.79
Canada	2.1035-2.1165	2.1140-2.1150	0.65-0.55 c pm	3.41	1.49-1.34 pm	2.68
Neth'lands	3.25¾-3.30½	3.29½-3.30½	1½-1¼ c pm	5.00	4-3⅝ pm	4.62
Belgium	59.74-60.55	60.45-60.55	17-14 c pm	3.07	41-35 pm	2.51
Denmark	10.87¾-11.01	10.99¾-11.00¾	⅞-1¼ ore dis	−1.43	4-4⅞ dis	−1.61
Ireland	1.0810-1.0965	1.0920-1.0930	0.22-0.35 p dis	−3.13	0.80-1.10 dis	−3.48
W. Germany	2.88½-2.93	2.92-2.93	1⅞-1½ pf pm	6.67	4½-4⅛ pm	5.98
Portugal	222.10-224.20	223.10-224.00	74-158 c dis	−6.23	260-426 dis	−6.14
Spain	203.28-204.66	204.20-204.50	37-61 c dis	−2.88	135-173 dis	−3.01
Italy	2051¼-2078¾	2077½-2078½	5pm-1lire dis	1.15	5pm-4 dis	0.38
Norway	10.95½-11.03¼	11.02-11.03	3½-4⅜ ore dis	−4.29	12⅝-13⅝ dis	−4.74
France	9.60½-9.73½	9.72½-9.73½	2⅝-2 c pm	2.70	5¼-4½ pm	2.00
Sweden	10.15½-10.24	10.23¼-10.23¾	½-1 ore dis	−0.88	1½-2⅛ dis	−0.73
Japan	242¼-244	243½-244½	1⅞-1⅝ y pm	6.15	3⅝-3½ pm	5.74
Austria	20.29-20.60	20.52-20.55	11¼-10gro pm	6.21	28½-25⅞ pm	5.30
Switzerland	2.42-2.47	2.46-2.47	1½-1⅛ c pm	6.69	3⅞-3⅝ pm	6.09

Belgian rate is for convertible francs. Financial franc 60.95-61.05. Six-month forward dollar 2.76-2.71 c pm. 12-month 4.95-4.85 c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Mar. 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5750-1.5905	1.5895-1.5905	0.60-0.57c pm	4.42	1.53-1.48c pm	3.79
Ireland†	1.4495-1.4578	1.4515-1.4525	0.99-0.93c pm	7.91	2.80-2.70 pm	7.56
Canada	1.3310-1.3334	1.3320-1.3330	0.10-0.13c dis	−1.04	0.35-0.40 dis	−1.13
Netherlands	2.0650-2.0800	2.0745-2.0755	0.16-0.12c pm	0.81	0.48-0.43 pm	0.88
Belgium	37.89-38.11	38.00-38.10	3-4c dis	−1.05	10-12½ dis	−0.63
Denmark	6.88¾-6.92¾	6.91¾-6.92¾	3.00-3.50ore dis	−5.65	9.10-9.60 dis	−5.42
W. Germany	1.8290-1.8415	1.8390-1.8400	0.39-0.35pf pm	2.42	1.08-1.03 pm	2.30
Portugal	141-141¾	141¼-141½	100-150c dis	−10.63	300-400 dis	−9.92
Spain	128.47-129.00	128.65-128.75	80-90c dis	−7.92	230-250 dis	−7.46
Italy	1301-1308½	1306¾-1307¼	2-5lire dis	−3.22	7½-15 dis	−3.45
Norway	6.92½-6.94¾	6.93¾-6.93¾	4.70-5.20ore dis	−8.56	14.50-15.00dis	8.50
France	6.09-6.13	6.11¾-6.12¼	0.78-0.88c dis	−1.63	2.60-2.80 dis	−1.77
Sweden	6.42¾-6.44¾	6.43¼-6.43¾	2.70-3.00 dis	−5.32	7.10-7.40 dis	−4.51
Japan	153.15-153.70	153.35-153.45	0.24-0.20y pm	1.72	0.80-0.75 pm	2.02
Austria	12.87¾-12.93	12.92½-12.93	2.30-1.80gro pm	1.91	5.50-4.50 pm	1.55
Switzerland	1.5415-1.5515	1.5495-1.5505	0.31-0.26c pm	2.21	0.92-0.87 pm	2.32

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.30-38.40.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last Sept	Puts—Last June	Puts—Last Sept
112	10.32	10.39	0.06	0.25
114	8.36	8.56	0.10	0.42
116	6.47	7.17	0.21	1.03
118	5.07	5.55	0.45	1.41
120	3.42	4.38	1.16	2.24
122	2.30	3.32	2.04	3.18
124	1.35	2.38	3.09	4.24
126	0.62	1.56	4.36	5.42

Estimated volume total, Calls 3,054 Puts 688
Previous day's open int: Calls 13,662 Puts 7,961

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last Sept	Puts—Last June	Puts—Last Sept
92	8.13	7.33	0.01	0.25
94	6.17	5.55	0.05	0.47
96	4.29	4.25	0.17	1.17
98	2.56	3.10	0.44	2.02
100	1.42	2.11	1.30	3.03
102	0.53	1.27	2.41	4.19
104	0.23	0.57	4.11	5.49
106	0.08	0.33	5.60	7.25

Estimated volume total, Calls 20 Puts 0
Previous day's open int: Calls 221 Puts 211

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last March	Calls—Last April	Puts—Last March	Puts—Last April
19000	10.64	14.66	0.44	0.86
19250	8.50	12.58	0.80	1.28
19500	6.57	10.64	1.37	1.84
19750	4.89	8.86	2.19	2.56
20000	3.49	7.25	3.29	3.45
20250	2.39	5.84	4.69	4.54
20500	1.56	4.62	6.36	5.82
20750	0.97	3.58	8.27	7.28

Estimated volume total, Calls 30, Puts 0
Previous day's open int, Calls 622 Puts 567

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last Mar.	Apr.	May	June	Puts—Last Mar.	Apr.	May	June
1.30	28.65	—	—	28.65	0.00	—	—	0.00
1.35	23.65	—	—	23.65	0.00	—	—	0.01
1.40	18.65	18.65	18.65	18.65	0.00	0.00	0.00	0.08
1.45	13.65	13.65	13.65	13.65	0.00	0.01	0.04	0.34
1.50	8.65	8.65	8.65	8.65	0.00	0.12	0.34	1.09
1.55	3.65	3.88	3.94	4.72	0.06	0.88	1.46	2.69
1.60	0.35	1.23	1.48	2.38	1.88	3.23	4.00	5.35

Estimated volume total, Calls 49, Puts 75
Previous day's open int, Calls 776, Puts 1949

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Mar.	Apr.	May	June	Puts—Last Mar.	Apr.	May	June
1.35	15.70	—	—	13.90	0.25	—	—	0.80
1.40	16.60	16.60	16.60	16.60	0.30	0.30	0.30	0.50
1.45	11.60	11.60	11.60	11.60	0.30	0.30	0.50	0.75
1.50	8.45	6.60	6.70	6.80	0.30	0.65	1.20	1.70
1.55	2.60	2.65	3.20	3.80	0.90	1.10	2.40	3.80
1.60	0.35	1.60	1.30	1.65	4.20	4.50	6.20	7.00
1.65	1.50	—	—	1.90	20.20	—	—	21.40

Previous day's open int: Calls 894 Puts 567
Volume: 80

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Mar.	Apr.	May	June	Puts—Last Mar.	Apr.	May	June
1.400	18.30	17.40	—	18.30	—	—	—	0.10
1.450	13.30	12.45	13.30	13.30	—	—	0.15	0.35
1.475	10.80	10.80	—	10.80	—	0.05	0.35	0.60
1.500	8.30	7.75	8.30	8.40	—	0.10	0.60	1.05
1.525	5.90	6.00	6.20	6.40	—	0.40	1.05	1.65
1.550	3.30	3.65	4.40	4.80	0.10	0.95	1.85	2.35
1.575	1.50	2.45	3.00	3.40	0.40	1.80	2.80	3.55

Previous day's open int: Calls 70,249, Puts 58,235
Previous day's volume, Calls 10,268 Puts 4,645

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls—Last Mar.	June	Sept.	Dec.	Puts—Last Mar.	June	Sept.	Dec.
93.00	0.59	0.64	0.68	—	0.00	0.02	0.08	—
93.25	0.34	0.43	0.49	—	0.00	0.06	0.14	—
93.50	0.12	0.26	0.33	—	0.03	0.14	0.23	—
93.75	0.01	0.13	0.20	—	0.17	0.26	0.35	—
94.00	0.00	0.05	0.11	—	0.41	0.43	0.51	—
94.25	0.00	0.02	0.06	—	0.66	0.65	0.71	—
94.50	0.00	0.00	0.02	—	0.91	0.88	0.92	—

Previous day's open int: Calls 2,106, Puts 2,394
Estimated volume, Calls 0, Puts 0

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
March	122-05	121-24	121-01	121-15
June	122-13	122-16	121-07	121-22
Sept.	122-07	—	—	121-16
Dec.	122-14	—	—	121-23

Estimated volume 29,994 (29,759)
Previous day's open int. 17,758 (19,016)

10% NOTIONAL SHORT GILT
£100,000 64ths of 100%

	Close	High	Low	Prev.
March	101-08	—	—	101-25

Estimated Volume 0 (0)
Previous day's open int. 64 (64)

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
March	89.81	89.83	89.78	89.81
June	90.55	90.55	90.46	90.53
Sept.	90.77	90.77	90.67	90.72
Dec.	90.77	90.77	90.68	90.72
March	90.65	90.65	90.63	90.63
June	90.47	90.47	90.47	90.49

Estimated volume 4,871 (6,921)
Previous day's open int. 23,972 (22,395)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
March	200.20	200.70	199.10	200.75
June	203.80	204.10	203.10	204.30

Estimated volume 680 (643)
Previous day's open int. 4,941 (4,809)

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev.
March	93.59	93.68	93.59	93.68
June	93.62	93.75	93.61	93.76
Sept.	93.60	93.72	93.60	93.73
Dec.	93.51	93.61	93.54	93.63
March	93.37	93.48	93.40	93.50
June	93.18	—	—	93.31
Sept.	92.97	—	—	93.10
Dec.	92.76	—	—	92.89

Estimated volume 6,682 (6,020)
Previous day's open int. 27,907 (28,575)

U.S. TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
March	101-09	102-07	101-11	102-18
June	100-06	101-04	100-04	101-12
Sept.	99-04	—	—	100-10

Estimated Volume 5,841 (3,912)
Previous day's open int. 3,525 (3,897)

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5900	1.5842	1.5751	1.5627	1.5410

IMM—STERLING $s per £

	Close	High	Low	Prev
Mar.	1.5845	1.5870	1.5680	1.5625
June	1.5710	1.5735	1.5545	1.5490
Sept.	1.5590	1.5630	1.5420	1.5370

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
March	1.5847	1.5855	1.5795	1.5740
June	1.5703	1.5710	1.5637	1.5605
Sept	1.5585	—	—	1.5480

Estimated volume 88 (34)
Previous day's open int 1,198 (1,173)

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
Mar.	101-12	101-28	101-08	102-09
June	100-10	100-26	100-06	101-07
Sept.	99-12	99-27	99-09	100-09
Dec.	98-15	98-30	98-14	99-12
Mar.	97-20	98-02	97-20	98-17
June	96-26	97-08	96-26	97-23
Sept.	96-01	96-12	96-01	96-30
Dec.	95-09	—	—	96-06
Mar.	94-19	—	—	95-16
June	[illegible]	—	—	[illegible]
Sept.	93-13	—	—	94-10

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Close	High	Low	Prev.
Mar.	94.37	94.49	94.36	94.48
June	94.43	94.55	94.42	94.54
Sept.	94.46	94.58	94.46	94.58
Dec.	94.40	94.51	94.39	94.51

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Close	High	Low	Prev.
Mar.	0.6510	0.6525	0.6507	0.6528
June	0.6544	0.6558	0.6540	0.6562
Sept.	0.6579	0.6593	0.0581	0.6597

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Close	High	Low	Prev.
Mar.	0.5419	0.5456	0.5415	0.5457
June	0.5451	0.5488	0.5448	0.5489
Sept.	0.5480	0.5515	0.5480	0.5517

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Close	High	Low	Prev.
Mar.	93.58	93.68	93.57	93.66
June	93.60	93.75	93.59	93.73
Sept.	93.60	93.71	93.59	93.70
Dec.	93.51	93.61	93.49	93.60
Mar.	93.36	93.46	93.34	93.44
June	93.14	93.25	93.14	93.24
Sept.	92.95	93.02	92.93	93.02
Dec.	92.75	92.80	92.71	92.80

SWISS FRANC (IMM)
SFr125,000 $ per SFr

	Close	High	Low	Prev.
Mar.	0.6425	0.6479	0.6420	0.6476
June	0.6460	0.6519	0.6455	0.6514
Sept.	0.6500	0.6557	0.6515	0.6555

STANDARD & POORS 500 INDEX
$500 times index

	Close	High	Low	Prev.
Mar.	291.20	291.30	288.50	290.20
June	293.05	293.30	290.30	292.05
Sept.	294.40	294.40	291.40	293.40
Dec.	295.50	296.10	293.40	294.70

MONEY MARKETS

No one must steal Chancellor's thunder

THE MONEY market is not going to be allowed to steal the Chancellor's thunder, said a dealer at one of London's discount houses last week. Another commented that he believed there was a message to this effect from the Treasury to the Bank of England, and that the central bank had merely passed this on in *the strongest possible terms*.

Banks and discount houses not *prepared to sell eligible bills to* the authorities at present intervention *rates, found* themselves paying a high privilege for holding on to their paper, *but even by the end of the* week there was no sign the market *was* prepared to sell longer dated bills.

UK clearing bank base lending rate 11 per cent since October 15

Every day the houses have to work out the return on running bills against the cost of borrowed money, and although the action of the Bank of England last week has reduced the profit expected from this paper, it remains in the market's favour to hang on, provided rates are cut at the time of the Budget.

One dealer commented that many *of the bills were now held outside* the discount market, and this made it *more difficult for the Bank of* England to manage the market, simply because the relationship between the central bank and the houses was closer than with the wider area of the banking system. Another suggested it did not really matter who held the paper, because no one was going to sell it anyway.

On a note of caution one discount house said the market assumed an attractive, but not over generous *Budget. If income tax is cut more* than expected and the public sector *borrowing requirement is not* reduced significantly sentiment could move against sterling, making a 1 per cent cut in bank base rates look suddenly foolhardy.

FT LONDON INTERBANK FIXING

(11.00 a.m. Mar. 6) 3 months U.S. dollars		6 months U.S. dollars	
bid 6¼	offer 6⅜	bid 6¼	offer 6⅜

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

BANK OF ENGLAND TREASURY BILL TENDER

	Mar. 6	Feb. 27		Mar. 6	Feb. 27
Bills on offer	£100m	£100m	Top accepted rate of discount	9.6665%	10.2080
Total of applications	£799m	£339m	Average rate of discount	9.6665%	10.1969%
Total allocated	£100m	£100m	Average yield	9.91%	10.47%
Minimum accepted bid	£97.59	£97.455	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	100%	—			

WEEKLY CHANGE IN WORLD INTEREST RATES

LONDON	Mar. 6	change	NEW YORK	Mar. 6	change
Base rates	11	Unch'd	Prime rates	7½	Unch'd
7 day interbank	11 11/16	+⅛	Federal Funds	6	Unch'd
3-month interbank	10 5/16	−½	3 Mth. Treasury Bills	5.80	+0.20
Treasury Bill Tender	9.6665	−0.5304	6 Mth. Treasury Bills	5.90	+0.23
Band 1 Bills	10⅞	Unch'd	3 Mth. C D	6.14	Unch'd
Band 2 Bills	10 13/16	Unch'd	FRANKFURT		
Band 3 Bills	10⅝	Unch'd	Lombard	5.0	Unch'd
Band 4 Bills	10 13/16	Unch'd	One mth. Interbank	3.95	+0.30
3 Mth. Treasury Bill	10 5/16	−⅛	Three month	3.975	+0.05
1 Mth. Bank Bills	10⅝	−3/32	PARIS		
3 Mth. Bank Bills	10	−3/32	Intervention Rate	8.00	Unch'd
TOKYO			One mth. Interbank	7 13/16	−1/16
One month Bills	4.09375	+0.0625	Three month	7 25/32	−⅛
Three month Bills	3.90625	—	MILAN		
BRUSSELS			One month	11½	−⅛
One month	7 11/16	−1/16	Three month	11⅝	Unch'd
Three month	7 11/16	−1/16	DUBLIN		
AMSTERDAM			One month	14⅜	Unch'd
One month	5 5/16	+⅛	Three month	14¼	Unch'd
Three month	5 5/16	Unch'd			

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week.

MONEY RATES

NEW YORK (4 pm)

Prime rate	7½
Broker loan rate	7¼-7
Fed. funds	6
Fed funds at intervention	5 15/16

Treasury Bills and Bonds

One month	5.34	Three year	6.56
Two month	5.54	Four year	6.71
Three month	5.80	Five year	6.79
Six month	5.93	Seven year	7.02
One year	6.02	10 year	7.22
Two year	6.42	30 year	7.50

Mar. 6	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.80-3.90	3.90-4.00	3.90-4.00	3.90-4.05	4.00-4.15	5.0
Paris	7 11/16-7 13/16	7⅞-8	7⅞-8	7⅞-8	8 1/16-8 3/16	8
Zurich	⅞-1⅛	3⅞-4	—	3¼-3⅜	—	—
Amsterdam	6⅛-6¼	5½-5⅝	—	5⅜-5½	—	—
Tokyo	3.96875	4.09375	—	3.90625	—	—
Milan	11⅛-11⅞	11¼-11¾	—	11⅛-11⅝	—	—
Brussels	6.30	7⅝-7⅞	—	7⅝-7⅞	—	—
Dublin	13¾-14⅛	14 5/16-14 7/16	14⅛-14⅜	14⅛-14⅜	13½-13⅞	—

LONDON MONEY RATES

Mar. 6	Overnight	7 days notice	Month	Three Months	Six Months	One Year
Interbank	12¼-10¾	11⅝-11½	11⅛-10⅞	10 7/16-10¼	10 3/16-10	10⅛-9 13/16
Sterling CDs	—	—	11-10⅞	10 5/16-10 3/16	10 3/16-9 31/32	10-9⅞
Local Authority Deposits	11⅛-11½	11½	10⅞-10⅝	10 5/16-10⅛	10	9 13/16-9⅞
Local Authority Bonds	—	—	11⅛	10⅝	10⅜	10
Discount M'ket Deposits	11½	11½	10⅝	10	—	—
Company Deposits	11¼-11	11	11⅛-11	10⅜	10⅜	10⅛
Finance House Deposits	—	—	11	10⅜	10¼	10⅛
Treasury Bills (Buy)	—	—	10⅝	10⅛	—	—
Bank Bills (Buy)	—	—	10⅝	10	9 31/32	—
Fine Trade Bills (Buy)	—	—	11⅛	10⅝	10 3/32	—
Dollar CDs	—	—	6.35-6.30	6.30-6.25	6.3-6.25	6.40-6.35
SDR Linked Deposits	—	—	6¼-6	6 3/16-5 15/16	6 3/16-5 15/16	6 3/16-6 1/16
ECU Linked Deposits	—	—	7 5/32-7 3/32	7 5/32-7 3/32	7 5/32-7 3/32	7 5/32-7 3/32

Treasury Bills (sell): one-month 10½ per cent; three-months 9 13/32 per cent; Bank Bills (sell): one-month 10 11/32 per cent; three months 9⅞ per cent; Treasury Bills; Average tender rate of discount 9.6665 p.c. ECGD Fixed Finance Scheme IV reference date January 31 to February 27 (inclusive): 10.896 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 per cent from March 1, 1987: Bank Deposit Rates for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10½ per cent; one-three months 9⅞ per cent; three-six months 9½ per cent; six-nine months 9 per cent; nine-12 months 9 per cent; Under £100,000 10¼ per cent from March 6. Deposits held under Series 5 10¼ per cent. Deposits withdrawn for cash 5 per cent.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1986/87 High	1986/87 Low	Stock	Closing Price p	+ or −	Net Div.	Times Covered	Gross Yield	P/E Ratio
‡‡	F.P.	30/1	87	65	Alvesco (Regd) 1p	86		L0.5	4.6	0.8	22.0
§213	F.P.	—	310	272	Barbour Index	305	−3	R8.0	3.1	1.8	24.8
‡‡	F.P.	—	63	37	●Border TV	52xd	−1½	u2.5	3.2	6.7	23.1
125	65	3/4	119½	104	British Airways	112		R6.0	2.4	4.9	9.7
105	F.P.	27/3	131	127	Capital Radio 10p	130		W5.0	1.9	5.4	14.1
§110	F.P.	20/3	133	123	Dale Group 10p	130		R4.8	2.6	4.8	11.3
§125	F.P.	—	136	134	●Forward Group 5p	135		U2.2	3.1	2.3	17.9
§70	F.P.	27/3	90	80	●Hewetson 10p	83	−1	R2.7	2.1	4.5	13.1
§250	F.P.	—	350	315	Hobsons Publishing 5p	350		u6.25	2.2	2.5	25.9
††	F.P.	—	130	120	●Image Storage $0.01	125		—	—	—	—
§115	F.P.	—	146	135	●JSB Electrical 20p	135		L2.9	2.8	3.0	16.4
§144	F.P.	23/1	184	144½	M.I.L. Research 5p	183		R3.0	3.4	2.3	17.7
150	75	—	78	75	Mezzanine Tst. Inc.	77		ω10.4	—	9.7	—
—	F.P.	—	33	30	Do. Capital 50p	30		ω10.4	—	13.7	—
§100	F.P.	—	109	101	Paribas French Inv. Tst.	107		—	—	—	—
§120	F.P.	20/3	133	127	●Prism Leisure Corp 10p	133	+1	R4.2	2.5	4.5	12.0
§95	F.P.	—	102	97	RCO 10p	102		L3.71	2.1	5.3	12.4
§	F.P.	3/4	152	120	●Sanders & Sidney 5p	152		R4.2	2.0	4.2	16.6
—	F.P.	—	106	97	Scot. Inv. Tst. Warrants	102		—	—	—	—
§90	F.P.	3/4	101	98	Sinclair Goldsmith 10p	98	−2	R2.2	2.7	3.2	14.3
—	F.P.	—	200	211	●UTC Group	220		v14.0	—	9.0	—
§130	F.P.	27/2	183	149	Viking Packaging 10p	178		u5.5	3.0	2.7	17.2
§144	F.P.	—	190	170	●Wood (John D.) 10p	188		R2.2	3.6	1.7	20.9

UP-DATED TO COPY 6/3/87

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986/87 High	1986/87 Low	Stock	Closing Price £	+ or −
‡	F.P.	—	17p	16½p	Hillards 6% Cnv. Red. Pf. £1	17p	−1
$100	£50	19/5	53	41½	Mid-Sussex Water 11% Red Deb 2012-16	53	—
—	F.P.	—	100½	100	Nationwide 10¼% Bds. 15/2/88	100½	—
—	F.P.	—	100	100	Do. 10¼% Bds. 7/3/88	100	—
§97.877	F.P.	—	100½	100½	TR Trustees Corp 10¼% Deb 2016	100½	−½

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1986/87 High	1986/87 Low	Stock	Closing Price p	+ or −
270	Nil	3/4	95pm	40pm	Burgess Products	83pm	—

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Dividend and yield based on prospectus or other official estimates for 1986/7. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures t Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." §§ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ● Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement.

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